JOINT STOCK COMPANY OLAINFARM

(UNIFIED REGISTRATION NUMBER 40003007246)

CONSOLIDATED ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2013

(17TH FINANCIAL YEAR)

PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS, AS ADOPTED BY THE EU

Olaine, 2014

EY
Building a better working world

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of AS Olainfarm

Report on the financial statements

We have audited the accompanying consolidated financial statements of AS Olainfarm (the Parent Company) and its subsidiaries (hereinafter – the Group), set out on pages 21 through 63 of the accompanying 2013 Consolidated Annual Report, which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of comprehensive income, consolidated statements of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements
Management of the Parent Company is responsible for the preparation and fair presentation of these consolidated 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.

Auditors' responsibility
Our responsibility is to express an opinion on these consolidated 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 qualified audit opinion.

Basis for qualified opinion

In 2008, the Group recognised patents for new developed finished form medicines as intangible assets. The impairment tests carried out by the management in 2011 and 2012 revealed that the value in use of the aforementioned intangible assets was below their carrying amount and, therefore, the related impairment in 2012 and 2011 of LVL 1 144 324 and LVL 930 657 respectively was recognised. As a result, the above intangible assets were fully impaired as at 31 December 2012. We were unable to obtain sufficient evidence to determine whether the impairment was split properly in the consolidated statement of comprehensive income statements for the years ended 31 December 2012, 2011 and previous years. These circumstances were in effect as at 31 December 2012, and our auditors' report issued on 29 April 2013 was qualified in this respect. Our opinion on the current period's financial statements is modified because of the possible effect of this matter on the comparability of the current period's figures and the comparative information.

Qualified opinion
In our opinion, except for the possible effect of the matter described in the Basis for qualified opinion paragraph, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

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Report on other legal and regulatory requirements

Furthermore, we have read the management report for the year ended 31 December 2013 (set out on pages 12 through 19 of the accompanying 2013 Consolidated Annual Report) and have not noted any material inconsistencies between the financial information included in it and the financial statements for the year ended 31 December 2013.

We have assured ourselves that the Group has prepared the corporate management report for the year 2013 and verified information presented in the report according to the requirements listed in the section 56.1 first paragraph clauses 3, 4, 6, 8 and 9 and in the section 56.2 second paragraph clause 5 in the Law on Financial Instruments Market.

SIA Ernst & Young Baltic
Licence No. 17

Iveta Vimba
Member of the Board
Latvian Certified Auditor
Certificate No. 153.

Riga,
28 April 2014

Contents

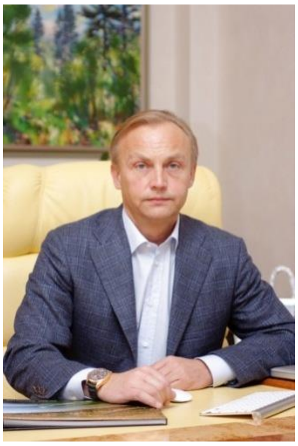
General information

Name of the Parent Company	OLAINFARM
Legal status of the Parent Company	JOINT STOCK COMPANY
Unified registration number, place and date of registration of the Parent Company	40003007246 Riga, 10 June 1991 (re-registered on 27 March 1997)
Registered office of the Parent Company	Rūpnīcu iela 5 Olaine, Latvia, LV-2114
Major shareholders of the Parent Company	Olmafarm SIA- 42.56% Valērijs Maligins - 27.13% Swedbank AS Clients account – 12.72%
Major subsidiaries	Latvijas aptieka SIA - 100% equity share Silvanols SIA - 70.88% equity share

Board

The Supervisory Council elects the Management Board of AS OlainFarm for five years. When selecting the members of the Management Board, the Council assesses experience of candidates in team management, in particular area of responsibility of a candidate and in the pharmaceutical sector in general.

Valērijs Maligins



Valērijs Maligins is the Chairman of the Management Board of AS OlainFarm. He has obtained a Doctoral Degree in Economics at NewPort International University, Baltic Center (2007), as well as a Master's Degree in economics and social sciences (University of Latvia, 2002), Bachelor's degree in economics and finances (RSEBAA 1998). V. Maligins has more than 20 years of experience in pharmaceutical sector, 15 of them in management positions at AS OlainFarm.

Positions held in other companies:
SIA Olmafarm, Chairman of the Board
Hunting Club Vitkupe, Board Member

Participation in other companies:
SIA Lano Serviss (25.04%)
SIA Vega MS (60%)
SIA Briz (12.47%)
SIA Olfa Press (45%)
SIA Carbochem (50%)
SIA Aroma (99.21%)
SIA Olmafarm (100%)
SIA Escargot (33.50%)
SIA Olalex (50%)
SIA Energo Capital (50%)
OOO OLFA (51%)
Number of shares of AS OlainFarm owned (as of December 31, 2013):

- Directly: 3 821 266
- Indirectly (through SIA Olmafarm): 5 994 054
- Total: 9 815 320

Board (cont'd)

Jeļena Borcova

Jeļena Borcova is a member of the Company's Management Board and a qualified person. J. Borcova has a degree in Pharmacy (Medical Institute of Riga, 1988). J. Borcova has more than 15 years of experience in pharmaceutical production.

Positions held in other companies: none
Participation in other companies: none

Number of shares of AS OlainFarm owned (as of December 31, 2013): 0

Inga Liščika

Inga Liščika is a member of the Company's Management Board and a Finance director. I. Liščika has been studying the Professional Management programme at English „Open University". I. Liščika is a Master of Business Economics (Riga Technical University 1997) and a civil engineer (1995). I. Liščika has been working at AS OlainFarm for more than 10 years.

Positions held in other companies:
SIA Pharma and Chemistry Competence Centre of Latvia, Council Member
AS Lege Artis Rīga, Council Member
SIA First Class Lounge, Board Member
SIA Olalex, Board Member
SIA Carbochem, Board Member

Participation in other companies: none

Number of shares of AS OlainFarm owned (as of December 31, 2013): 1 302

Board (cont'd)

Salvis Lapiņš

Salvis Lapiņš is a member of the Company's Management Board, and a manager of Investor relations. He has been studying business in RSEBAA and law at the University of Latvia. He has been actively working in financial and pharmaceutical sectors since 1995.

Positions held in other companies:
SIA Silvanols, Board Member (from May 30,2013 till October 04,2013)

Participation in other companies:
SIA Baltic Team-Up (50%)

Number of shares of AS OlainFarm owned (as of December 31, 2013): 49 953

Veranika Dubitskaya

Veronika Dubicka (Veranika Dubitskaya) has worked in the Company's representative office in Belarus since 2005. Till 2006 V. Dubitskaya held a post of the medical representative, since 2006 till July, 2009 a post of the manager, and since July, 2009 till May, 2011 was the principal of the company's representative office in Belarus.

Positions held in other companies: none

Participation in other companies: none

Number of shares of AS OlainFarm owned (as of December 31, 2013): 0

Council

The Supervisory Council of AS OlainFarm is elected by the General Meeting of Shareholders for 5 years. The Supervisory Council is a supervising institution, representing interests of the shareholders between the meetings of shareholders. Main tasks of the Supervisory Council include supervising the Management Board, and these are the main requirements that are taken into account when shareholders propose new members of the Council.

The Supervisory Council sets the remuneration for the members of the Management Board, while the remuneration of the Council itself is set by the General Meeting of Shareholders.

Valentina Andreeva, the Chairperson of the Council

Valentina Andreeva, the Doctor of Economics of the Riga Technical University (Dr.oec.) - 2006, and has also degree of Master of Economic Sciences in management of the enterprise activity, received at the Riga Technical University in 2001, a speciality of the engineer-economist which she received in 1976 at the Riga Polytechnical Institute.

Positions held in other companies: none

Participation in other companies: none

Number of shares of AS OlainFarm owned (as of December 31, 2013): 0

Jelena Dudko, Deputy Chairperson of the Council

Jelena Dudko is a Strategic Development and Marketing Director of the pharmaceutical company Olfa. In 1996 J.Dudko graduated from a post-graduate course at the Faculty of Therapy and Hematology of the Kiev Medical Academy.

Positions held and participation in other companies: OOO OLFA (49%)

Number of shares of AS OlainFarm owned (as December 31, 2013): 0

Aleksandrs Raicis

Aleksandrs Raicis is a Deputy Director of the Latvian Association of Medical Wholesalers and a Pharmaceutical Director of SIA Briz. A. Raicis has a degree in Pharmacy from the Riga Medical Institute (1984).

Positions held in other companies: SIA BRIZ , Board Member

Participation in other companies:

- SIA VIP Pharma (50%)
- SIA Recesus (30%)
- SIA Briz (10.95%)

Number of shares of AS OlainFarm owned (as December 31, 2013): 0

Volodimir Krivozubov

Volodimir Krivozubov is a Director of the Ukrainian OOO Torgoviye Tehnologii. V.Krivozubov has a medical degree from A. Bogomolec Kiev Medical Institute (1984).

Positions held in other companies:

OOO Torgovije Tehnologii (Ukraine), General Director

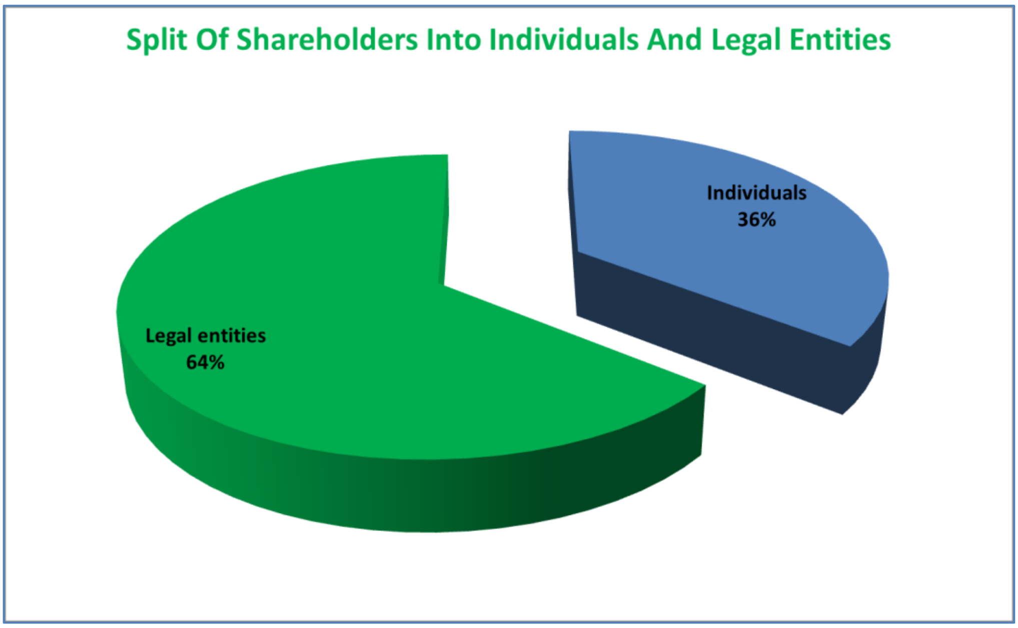
Participation in other companies: none

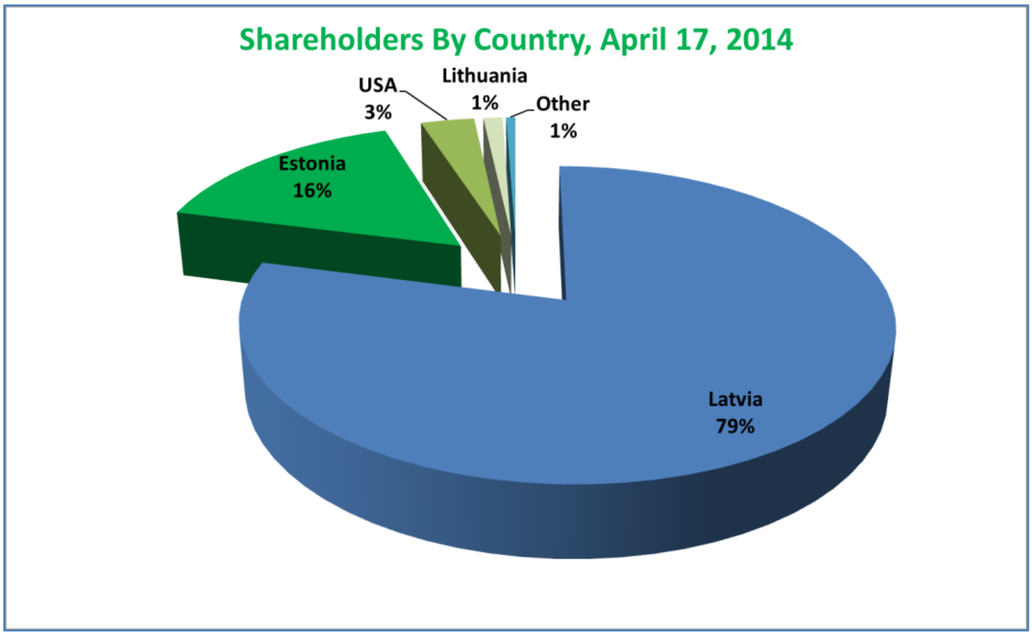
Number of shares of AS OlainFarm owned (as of December 31, 2013): 0

Council (cont'd)	**Tālis Talents** (till April 29,2013) Tālis Talents graduated from the Riga Medical Institute, Faculty of Pharmacy (1980), obtained the pharmacist's qualification; won the Manager's qualification at Iscra Business School in Tokyo, Japan (1992). Positions held in other companies: none Participation in other companies: none Number of shares of AS OlainFarm owned (as of December 31, 2013): 0 **Gunta Veismane** (from April 30, 2013) Gunta Veismane in 1975 graduated from the Latvian University Faculty of economics; in 1993 - Harvard University, HBS Management, Strategic management and organisational Psychology course; in 1996 - Latvian University, MBA. Positions held in other companies: Economics and culture higher school rector Participation in other companies: none Number of shares of AS OlainFarm owned (as of December 31, 2013): 0
Movements in the Board during the year 1 January 2013 through 31 December 2013	None
Movements in the Council during the year 1 January 2013 through 31 December 2013	On April 29, 2013 AS OlainFarm Shareholder's Meeting elected Gunta Veismane as the Council member instead of member Tālis Talents.
Core business activity	Manufacture of basic pharmaceutical products and pharmaceutical preparations
Audit Committee	Žanna Karaseva
Financial year	1 January – 31 December 2013
Auditors	Iveta Vimba Member of the Board Latvian Certified Auditor Certificate No. 153 SIA Ernst & Young Baltic Muitas iela 1A, Riga Latvia, LV-1010 Licence No. 17

Major shareholders

	Holding (%) as at 31.12.2013
Swedbank AS Clients Account (Formerly AS Swedbank)	12.72%
Olmafarm, SIA	42.56%
V.Maligins	27.13%
Other shareholders	17.59%
Total	100.00%





Management report

General information

During the reporting period changes have been made to the composition of the Concern (or further – Group) and it now consists from parent company AS OlainFarm, its daughter companies SIA Ozols JRD, whose major activities will be related to organizing sports and active leisure events in Olaine, travel agency First Class Lounge and pharmaceutical retail companies SIA Ilmas Aptieka, SIA Juko 99, SIA Veritas Farm, SIA Inula Farma, a/s Lege Artis and SIA Vita Plus, SIA Teriaks Pļaviņu Aptieka, SIA "Rudens Laiks , SIA "Rudens 10, SIA "Esplanāde Farm, SIA "Balta Aptieka IPI,SIA Elpas Aptieka, SIA "Daugavkrasta Farmācija. SIA Mana Aptieka , SIA Jaunjelgavas , SIA 36,6 SIA Sabiedrības ARS Aptieka, SIA Traumu Aptieka and SIA Priekules Aptieka. Since May 31, 2013 AS OlainFarm also owns 70.88% shares in leading Latvian food supplement producer SIA Silvanols.

The Group is one of the biggest pharmaceutical companies in Latvia with more than 40 years of experience in production of medication and chemical and pharmaceutical products. A basic principle of Group's operations is to produce reliable and effective top quality products for Latvia and the rest of the world. Products made by the Group are being exported to more than 30 countries of the world, including the Baltics, Russia, other CIS, Europe, Asia, North America and Australia.

Corporate mission and vision

Corporate mission:

AS OlainFarm is one of the biggest manufacturers of finished drug forms chemical products in the Baltics. The keystone of our work is manufacturing of reliable and effective high quality products to the whole world. We are about fair and effective cooperation with our customers – patients, doctors, pharmacists and other partners. In achievement of our goals we are creating a team of highly qualified, socially secured and well-motivated employees. Our priority is organizing an environmentally friendly manufacturing and constant increase of the Company's shareholders value.

Corporate vision:

We are aiming to become the leading manufacturer of finished drug forms and chemical-pharmaceutical products in the Baltics and to make our products known and available worldwide.

Company's Corporate Governance Report could be found at company's internet site at www.olainfarm.lv

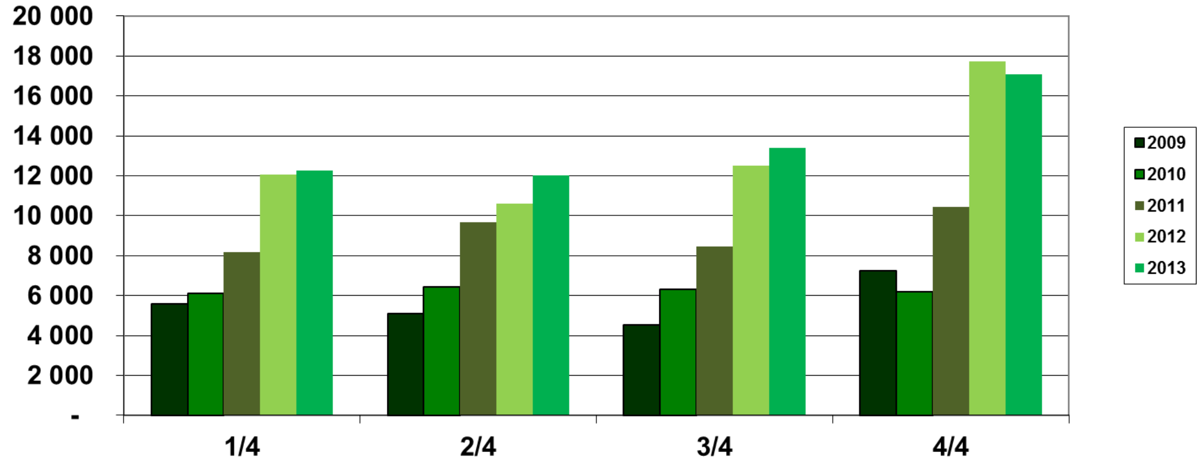
Operational environment

During the reporting period no significant changes have occurred in company's main wholesale and retail markets, except some adverse fluctuations of Russian rouble, which had a negative impact on profitability of the company. No major changes are also expected in the nearest future. It is of a very poor probability that the tendency that could be observed in several CIS countries to stimulate the demand for locally produced medicines can significantly influence sales of the Company to these countries as several of AS OlainFarm's major products have no locally produced same molecule competitors. All major wholesale and retail markets of the company grew by 4-15% per annum. No major decisions that could have an adverse impact on company's performance have been taken. In Ukraine, however, which is the second biggest sales market for products of the company, a significant economic and political instability can be observed, which in short term can have a negative impact on company's sales to this country.

Financial results

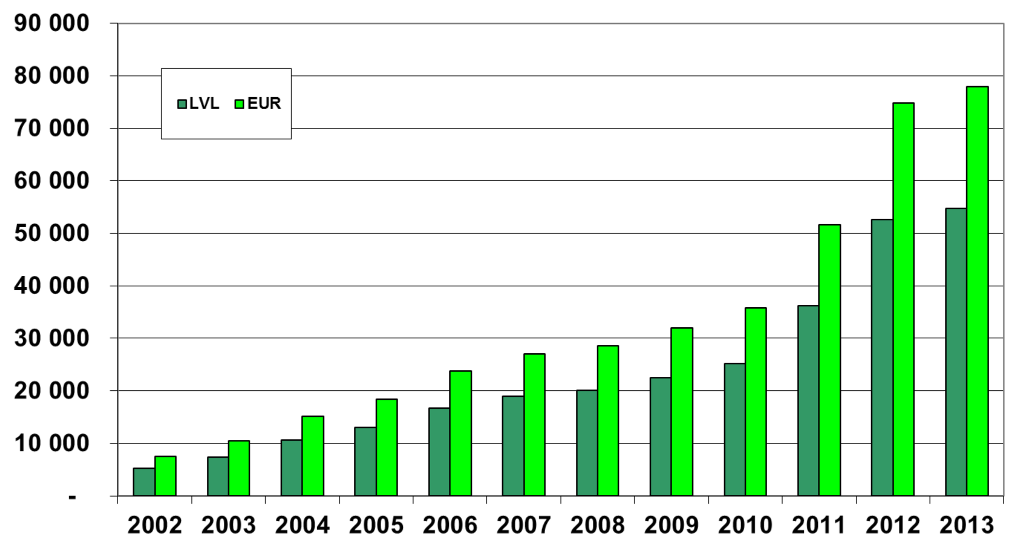
During the 4th quarter of 2013 the sales of company shrank by a little more than 3% and reached 17.1 million lats (24.3 million euros) which makes this the second most successful quarter in a corporate history. Besides, unlike in the last quarter of 2012, when extra shipments were made to Ukraine, which artificially increased the sales in that quarter, no additional shipments have been made during 4th quarter of 2013.

Sales By Quarters, Thsnd. LVL

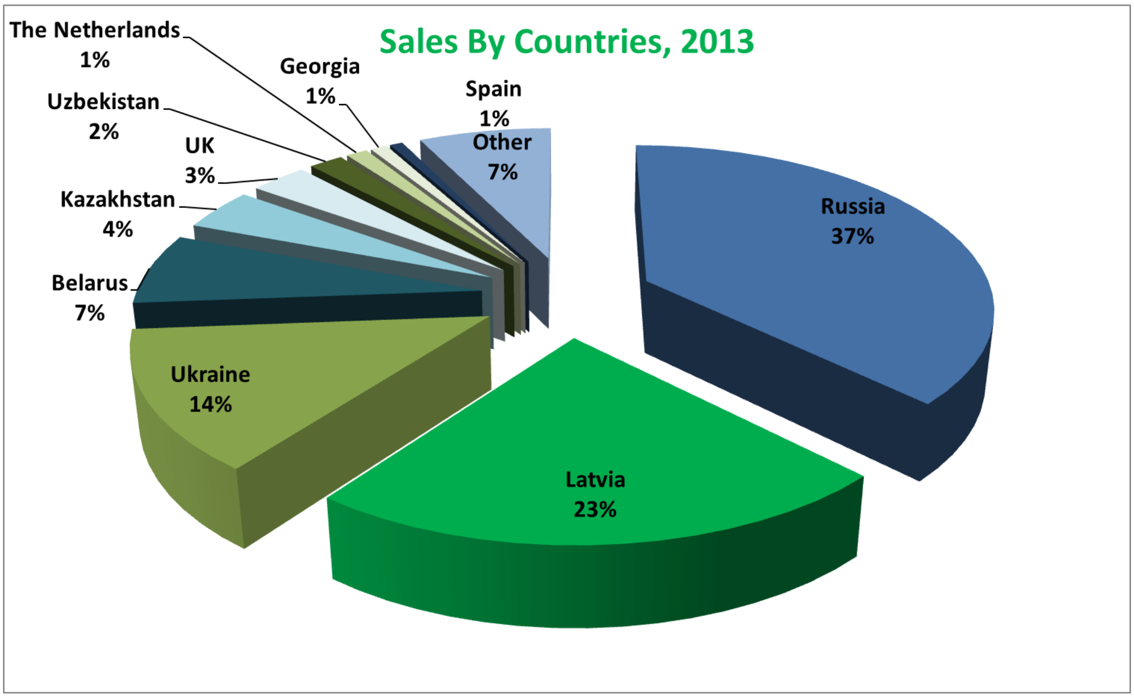


Despite the above mentioned extra shipments to Ukraine, that reduced the volume of sales to that country in 2013, this year in terms of sales has yet again been the best in corporate history so far. The Company made consolidated sales of 54.8 million lats (78 million euro), which is an increase by 4% compared to 2012.

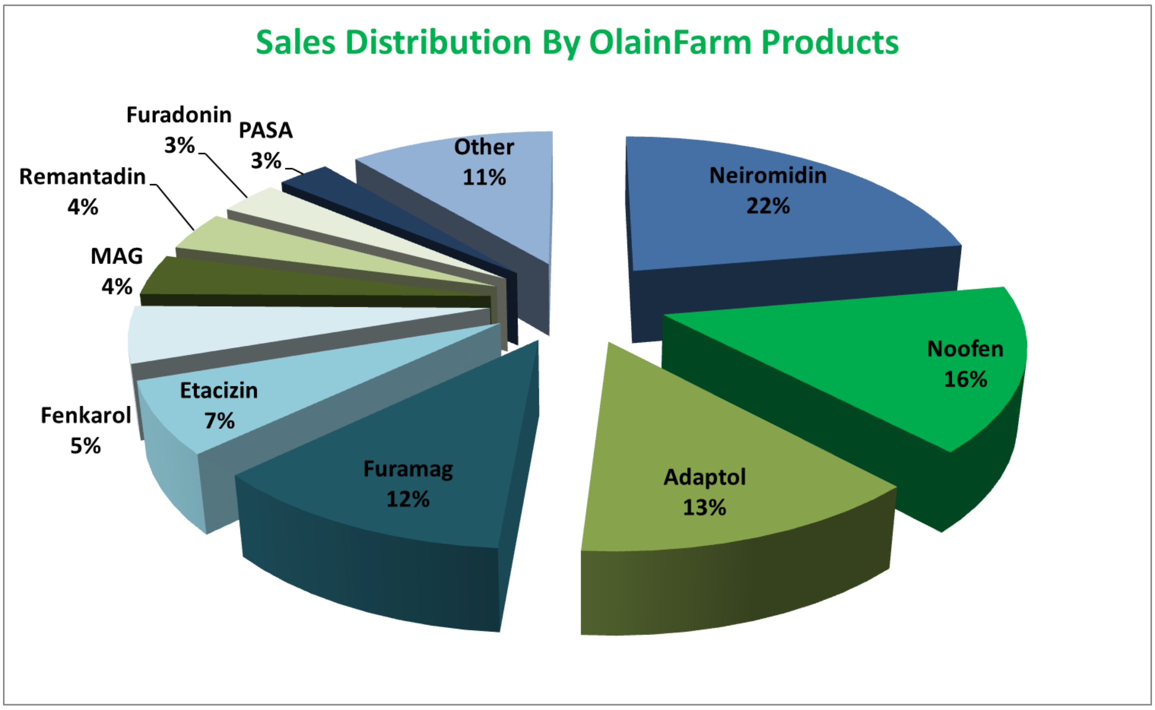
Sales In Thousands



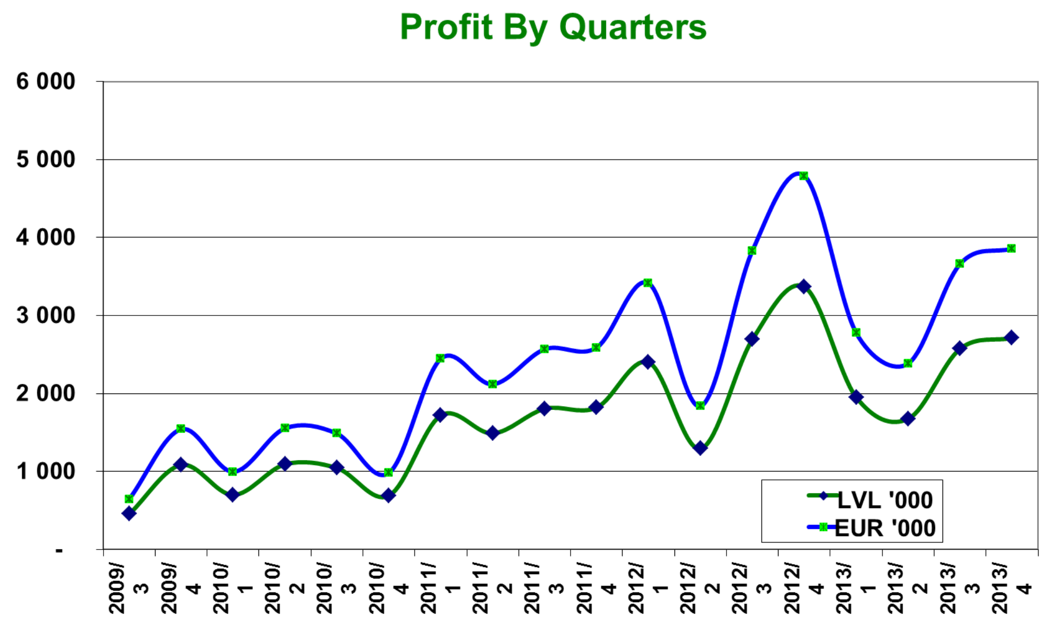
During 2013 sales to all our key markets continued growing, except Ukraine, where due to the above mentioned extra shipments of 2012 they shrank by 45%. The biggest sales increases were achieved in The Netherlands, where products for WHO's anti-tuberculosis products are being sent. Sales there have increased by 351%. Significant sales increase has also been achieved in Spain (sales grew by 202%), Belarus (sales grew by 48%) and Uzbekistan (sales grew by 42%). Major sales markets of AS OlainFarm in 2013 were Russia, Latvia, Ukraine, Belarus, Kazakhstan and the UK.



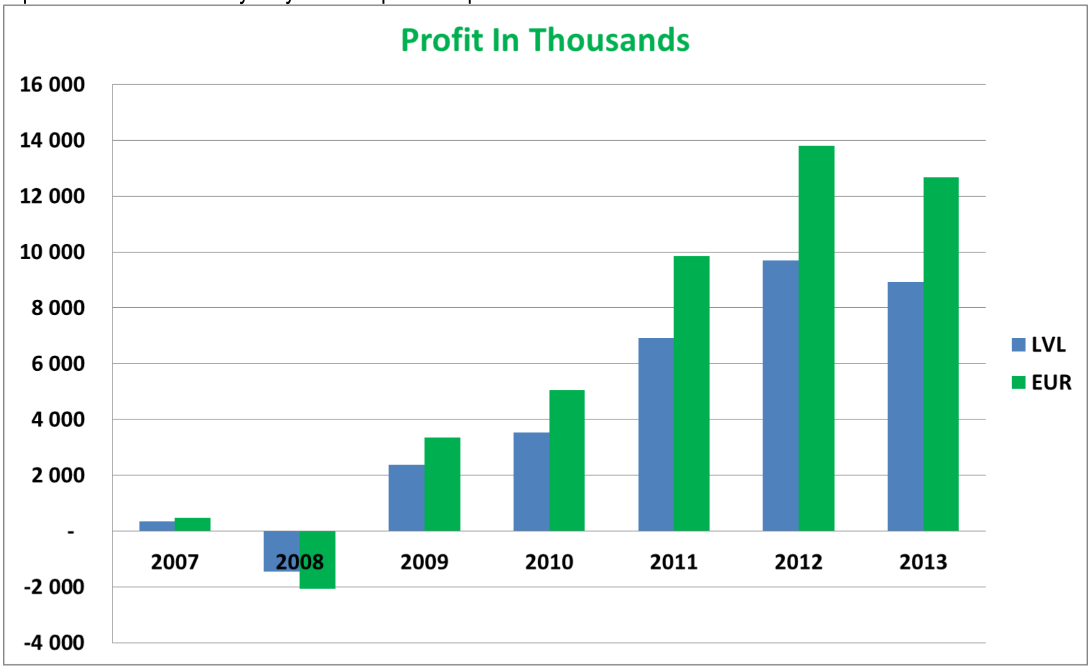
During 2013 the share of bestselling products Neiromidin® in total sales stabilized at the level of 22%. Share of all the other products has also remained relatively unchanged. Product portfolio is still well diversified, as 10 best-selling products make up less than 90% of total sales.



As with sales, 4th quarter of 2013 has also been one of the best in corporate history in terms of profit. 2.7 million lats (3.8 million euro) have been the net profit during this period, which represents a reduction by 20% compared to the same period one year ago.



Taking into consideration that the entire year, and especially its 4th quarter have been rather successful in terms of sales, the whole year has also been outstanding in terms of profit. In 2013 the Company has made a net profit of 8.9 million lats, which represents a reduction by only 9% compared to profit of 2012.



Other financial indicators of the company have changed respectively.

Financial indicator	2013	2012	% to previous period	2011
Sales, LVL'000	**54 788**	**52 835**	**104%**	**36 672**
Net profit, LVL'000	**8 853**	**9 723**	**91%**	**6 914**
EBITDA, LVL'000	**13 639**	**13 998**	**97%**	**10 355**
EBIT, LVL'000	**11 387**	**11 948**	**95%**	**8 601**
Sales, EUR'000	77 956	75 177	104%	52 180
Net profit EUR'000	12 596	13 834	91%	9 838
EBITDA, EUR'000	19 407	19 917	97%	14 734
EBIT, EUR'000	16 202	17 000	95%	12 238
EBITDA margin	**24.9%**	**26.5%**		**28.2%**
Net margin	**16.2%**	**18.4%**		**18.9%**
EBIT margin	**20.8%**	**22.6%**		**23.5%**
ROA	**13.1%**	**19.4%**		**16.6%**
ROE	**20.3%**	**27.0%**		**25.4%**
Current ratio	**2.4**	**2.6**		**2.9**
EPS, LVL	**0.63**	**0.69**	**91%**	**0.49**
EPS, EUR	0.89	0.98	91%	0.70
Share price at period end, LVL	**4.96**	**3.69**	**134%**	**2.46**
Share price at period end, EUR	7.06	5.25	134%	3.50
P/E	**7.9**	**5.3**		**5.0**
Market capitalisation at period end, LVL'000	**69 862**	**51 974**	**134%**	**34 579**
Market capitalisation at period end, EUR'000	99 405	73 952	134%	49 201
P/B	**1.6**	**1.4**		**1.3**

The company has not set any specific target for its liability to equity ratio, therefore this ratio is not included in the table above.

In December 2013 Management Board of AS OlainFarm adjusted previously set profit and sales guidance. According to them the sales of the Group in 2013 were planned to be 52.8 million lats (75.1 million euro) while the net profit guidance was 8.8 million lats (12.5 million euro). According to this audited report the sales guidance has been outperformed by 3.8%, while profit guidance was outperformed by 0.8%.

Dividends

During the reporting period the company has paid dividends from profit made in 2012. 0.107 lats (0.152 euros) per share were paid. In total more than 1.5 million lats were paid in dividends, with pay-out ratio being approximately 15% of profits of 2012. Pay-out ratio from the profit made in 2011 was approximately 12.5%, but pay-out ratio from the profits made in 2010 was approximately 10% of profit of that year. Although no formal dividend policy has been approved in the company the Board intended to increase the pay-out ratio by 2.5 percentage points every year in coming years, in case of absence of any factors threatening operations or development of the company. Recent instability in two of company's main sales markets, namely Russia and Ukraine along with rather aggressive investment programme for the next two years to come, makes the Board to propose to the shareholders to put a dividend payments in hold until the distribution of profits for 2015.

Shares and stock market

Rapid improvement of Company's financial indicators over the last three years is reflected in fluctuations of price of Company's shares on NASDAQ OMX Riga, as during this period the price of share has increased by more than 128%. During the reporting period share price mainly fluctuated around 5 lats, while in middle of August it set a new historic high of the time of 5.39 lats (7.669 euro). During the reporting period price of share of AS OlainFarm has been fluctuating between 3.66 and 5.39 lats (5.21 and 7.669 euros).

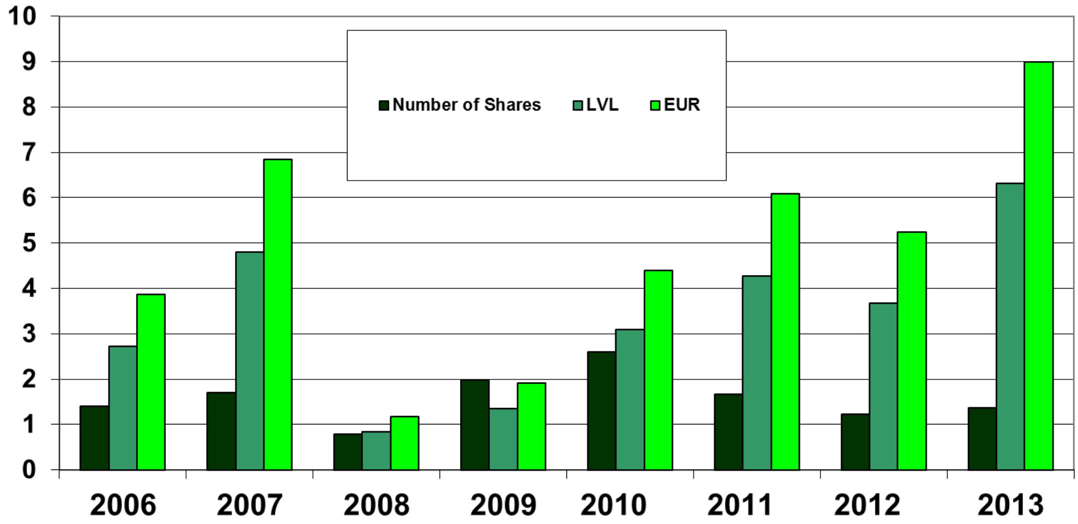
Trading volumes and price of shares of “OlainFarm” on NASDAQ OMX Riga (EUR) (2011 –2013)

During this year price of share of AS OlainFarm increased significantly more than OMX Riga index. During 2013 OMX Riga index increased by 16.2%, while price for share of OlainFarm by 34.42%.

Rebased price of OlainFarm share vs. rebased OMX Riga index (2013)

-- OMX Riga
-- AS “OlainFarm”

Trading Of Shares On NasdaqOMX Riga, mln.



In 2013 trading of shares of AS OlainFarm on NasdaqOMX Riga reached a new record high in terms of turnover. During a year shares worth 6.3 million lats (9 million euro) were traded, which represents an increase by 72% compared to 2012. Number of traded shares also increased to 1.36 million and that was an increase by 11%.

Development

In February 2013 an agreement was signed with AS „SEB Banka", whereby the amount of loan was increased by 6.6 million euro. Additional loan was taken in order to finance purchases of pharmacies and other companies related to pharmaceuticals.

In January 2013 Company underwent a regular GMP compliance audit, which resulted in prolonged GMP certification for the company.

During 2013 37 products have been registered in 7 different countries, including the marketing partnership products. Registration processes have been started also in Turkey, Mongolia, Mexico and Kosovo. The work has been started at developing several new final dosage forms, clinical trials of injectable form of Kapikor (Olvazol) are being conducted.

AS "OlainFarm will be given corporate income tax exemption for approved long term investments made within the project "Introduction of new products and improved exporting capacity. This decision was made on the meeting of Cabinet of Ministers held on May 7, and was based on assessment done by the Ministry of Economy about impact such exemption would have on national economy and local competition. It is planned that the total tax exemption could be as high as 5.21 million lats.

Laboratory equipment has been acquired which will allow moving the production of nitrofuranes to a new production unit and further improving production technologies of this group of products.

Future outlook

During 2013 and subsequent years company plans to continue all efforts targeted at implementation of new products, entering new markets, making a little more emphasis on cooperation with other producers in distribution of their products on CIS and other markets. The company also intends to expand its network of pharmacies, but at pace somewhat slower than recently.

Shares in SIA Silvanols that have been purchased by AS OlainFarm will allow company to involve itself more actively in sub-segments of medical devices and food supplements and for development of these sub-segments it intends to apply its marketing and promotion resources in CIS and other countries.

The company is very carefully following all political and economic developments in its major markets in CIS countries, specifically in Russia and Ukraine. As this report is being prepared, although the media reports from the region are rather alarming, the company's sales to these countries and collection of receivables have not experienced any deterioration.

Environment

During the reporting period 30 internal environmental audits have been conducted and amendments have been approved to Category A polluting activity license, which was required due to increasing production volumes, consumption of technical water and launch of cogeneration facility.

5th version of industrial emergency prevention plan has been prepared and submitted to Environment Monitoring Agency.

Application has been submitted to obtain licence for greenhouse gas emissions, which will allow AS OlainFarm to involve itself into trading with CO2 emission quotas.

Social responsibility

During 2013 the Company continued supporting development of young professionals with scholarships for students of Department of Pharmacy of Riga Stradins University, of Department of Material Sciences and Applied Chemistry of Riga Technical University and of Department of Chemistry of Latvian University.

Demonstrating its concern about the development of health care and promoting a healthy life style AS „OlainFarm" have been supporting both, Annual Medicine Award and Annual Health Award of Latvia.

The company is also supporting top quality musical events, including musical festival Rīgas ritmi, concerts organized by Hermanis Brauns Foundation and by Inese Galante. AS OlainFarm continued supporting the construction of Orthodox Church in Olaine.

Events after the end of the reporting period

In February 2014, Kazakh national currency the Tenge was devalued by 20%. Kazakhstan is an important sales market for Company's products, generating about 4% of consolidated sales. As this report is being prepared, company possesses no alarming information that would give any reason to expect a significant sales reduction in this country, however currency devaluation will inevitably cause certain loss of purchasing power of Kazakh people, which may leave, albeit small and short term impact on sales volumes to this country.

The financial reports were approved by the Board of the Parent company and on its behalf they are signed by

Valērijs Maligins
Chairman of the Board
(President)

AKCIJU SABIEDRĪBA «OLAINFARM»
OlainFarm
LATVIJAS REPUBLIKA

28 April 2014

Statement of Responsibility of the Management

The Management Board of AS "OlainFarm" prepares consolidated financial statements for each financial year which give a true and fair view of the AS "OlainFarm" group's (hereinafter - the Group) assets, liabilities and financial position as of the end of the respective period, and the financial results of the Group for that respective period. Consolidated financial statements are prepared based on International Financial Reporting Standards as adopted by the EU. In preparing those financial statements, management:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Management Board of AS "OlainFarm" is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position, financial performance and cash flows of the Parent Company and the Group and enable them to ensure that financial statements drawn up from them comply with International Financial Reporting Standards as adopted by the EU.

For the Board of AS OlainFarm:

Valērijs Maligins
Chairman of the Board
(President)

28 April 2014

Consolidated financial statements
Consolidated statement of comprehensive income

	Notes	2013 LVL '000	2013 EUR '000*	2012 LVL '000	2012 EUR '000*
Net sales	4	54 788	77 956	52 835	75 177
Changes in stock of finished goods and work in progress		(2 198)	(3 127)	(496)	(705)
Other operating income	5	1 737	2 472	1 023	1 456
Cost of materials:					
raw materials and consumables		(8 247)	(11 734)	(9 567)	(13 613)
other external costs		(3 657)	(5 203)	(2 044)	(2 909)
		(11 904)	(16 937)	(11 611)	(16 522)
Staff costs:					
Wages and salaries		(9 591)	(13 647)	(8 668)	(12 333)
Statutory social insurance contributions		(2 503)	(3 561)	(2 268)	(3 227)
	10	(12 094)	(17 208)	(10 936)	(15 560)
Depreciation/ amortization	12,13	(2 252)	(3 204)	(2 050)	(2 917)
Other operating expense	6	(16 836)	(23 955)	(16 816)	(23 927)
Share of profit/ loss of an associate	14	146	208	(1)	(1)
Financial income	7	102	145	53	75
Financial expense	8	(1 031)	(1 467)	(269)	(383)
Profit before taxes		**10 458**	**14 883**	**11 732**	**16 693**
Corporate income tax	9	(1 512)	(2 151)	(1 969)	(2 802)
Deferred corporate income tax	9	(92)	(131)	(40)	(57)
Profit for the reporting period		**8 854**	**12 601**	**9 723**	**13 834**
Other comprehensive income for the reporting period		**-**	**-**	**-**	**-**
Total comprehensive income for the reporting period		**8 854**	**12 601**	**9 723**	**13 834**
Total comprehensive income attributable to:					
The equity holders of the Parent Company		8 946	12 732	9 723	13 834
Non-controlling interests		(92)	(131)	-	-
		8 854	**12 601**	**9 723**	**13 834**
Basic and diluted earnings per share, LVL/EUR	11	0.64	0.90	0.69	0.98

*Supplementary information, see also Note 2.1.
The accompanying notes form an integral part of these financial statements.

For the Board of AS OlainFarm:

Valerijs Maligins
Chairman of the Board
(President)

28 April 2014

Consolidated statement of financial position

ASSETS	Notes	31.12.2013	31.12.2013	31.12.2012	31.12.2012
NON-CURRENT ASSETS		LVL '000	EUR '000*	LVL '000	EUR '000*
Intangible assets					
Goodwill		4 681	6 660	1 481	2 107
Patents		105	149	101	144
Pharmacy licenses and lease contracts		6 477	9 216	4 363	6 208
Other intangible assets		1 021	1 453	1 057	1 503
Prepayments for intangible assets		138	196	126	180
TOTAL	12	**12 422**	**17 674**	**7 128**	**10 142**
Property, plant and equipment					
Land, buildings and constructions		8 054	11 460	7 903	11 245
Equipment and machinery		4 159	5 918	2 611	3 715
Other tangible assets		1 598	2 274	1 104	1 571
Leasehold investments		189	269	34	48
Construction in progress		3 027	4 307	975	1 387
Prepayments for property, plant and equipment		1 896	2 698	139	198
TOTAL	13	**18 923**	**26 926**	**12 766**	**18 164**
Financial assets					
Other securities and investments		-	-	145	206
Investments in associated companies	14	148	211	-	-
TOTAL		**148**	**211**	**145**	**206**
TOTAL NON-CURRENT ASSETS		**31 493**	**44 811**	**20 039**	**28 512**
CURRENT ASSETS					
Inventories					
Raw materials		1 665	2 369	1 237	1 760
Work in progress		5 512	7 843	4 157	5 915
Finished goods and goods for resale		4 128	5 874	2 029	2 887
Prepayments for goods		145	206	157	223
TOTAL	15	**11 450**	**16 292**	**7 580**	**10 785**
Receivables					
Trade receivables and receivables from associated and other related companies	16	18 999	27 033	19 080	27 148
Prepayments to suppliers		428	609	150	213
Other receivables	17	1 295	1 843	490	697
Corporate income tax		545	775	-	-
Current loans to management and employees	18	1 528	2 174	768	1 093
Prepaid expense	19	136	194	164	233
TOTAL		**22 931**	**32 628**	**20 652**	**29 384**
Cash	20	**1 474**	**2 097**	**1 792**	**2 550**
TOTAL CURRENT ASSETS		**35 855**	**51 017**	**30 024**	**42 719**
TOTAL ASSETS		**67 348**	**95 828**	**50 063**	**71 231**

*Supplementary information, see also Note 2.1.
The accompanying notes form an integral part of these financial statements.

For the Board of AS OlainFarm:

Valērijs Maligins
Chairman of the Board
(President)

AKCIJU SABIEDRĪBA «OLAINFARM» * OlainFarm * LATVIJAS REPUBLIKA

28 April 2014

Consolidated statement of financial position

EQUITY AND LIABILITIES	Notes	31.12.2013	31.12.2013	31.12.2012	31.12.2012
EQUITY		**LVL '000**	**EUR '000***	**LVL '000**	**EUR '000***
Share capital	21	14 085	20 041	14 085	20 041
Share premium		1 760	2 504	1 760	2 504
Retained earnings:					
brought forward		18 717	26 632	10 502	14 943
for the period		8 946	12 732	9 723	13 834
TOTAL		43 508	61 909	36 070	51 322
Non-controling interests		55	78	-	-
TOTAL EQUITY		**43 563**	**61 987**	**36 070**	**51 322**
LIABILITIES					
Non-current liabilities					
Loans from credit institutions	22	6 909	9 831	944	1 343
Deferred corporate income tax liabilities	9	1 614	2 297	1 254	1 784
Deferred income	27	376	535	168	239
Finance lease liabilities	23	141	201	39	55
TOTAL		**9 040**	**12 864**	**2 405**	**3 421**
Current liabilities					
Loans from credit institutions	22	4 829	6 871	6 128	8 719
Finance lease liabilities	23	123	175	31	44
Prepayments received from customers		33	44	53	75
Trade and other payables	26	8 028	11 422	3 546	5 046
Payables to associated companies		113	161	21	30
Taxes payable	24	461	656	507	721
Corporate income tax	24	-	-	503	716
Deferred income	27	122	174	120	171
Accrued liabilities	25	1 036	1 474	679	966
TOTAL		**14 745**	**20 977**	**11 588**	**16 488**
TOTAL LIABILITIES		**23 785**	**33 841**	**13 993**	**19 909**
TOTAL EQUITY AND LIABILITIES		**67 348**	**95 828**	**50 063**	**71 231**

*Supplementary information, see also Note 2.1.
The accompanying notes form an integral part of these financial statements.

For the Board of AS OlainFarm:

Valērijs Maligins
Chairman of the Board
(President)

28 April 2014

Consolidated statement of cash flow

	Note	2013 LVL '000	2013 EUR '000*	2012 LVL '000	2012 EUR '000*
Cash flows to/from operating activities					
Profit before taxes		10 458	14 883	11 732	16 693
Adjustments for:					
Amortization and depreciation	12, 13	2 252	3 205	2 050	2 917
Loss on sale/ disposal of property, plant and equipment	6	658	937	246	350
Impairment/ (reversal of impairment) of tangible non-current assets	6	(73)	(104)	1 146	1 631
Increase in allowances		(172)	(245)	192	273
Income from investing activities		(146)	(208)	1	1
Investing reversal		-	-	(43)	(61)
Interest expenses	8	163	232	207	295
Interest income	7	(102)	(145)	(53)	(75)
Operating cash flows before working capital changes		**13 038**	**18 555**	**15 478**	**22 024**
Increase in inventories		(2 889)	(4 112)	(716)	(1 019)
Increase in receivables and prepaid expense		(419)	(597)	(5 965)	(8 487)
Increase/ (decrease) in payables and prepayments received		4 926	7 010	(512)	(729)
Cash generated from operations		**14 656**	**20 856**	**8 285**	**11 789**
Interest paid		(152)	(216)	(207)	(295)
Corporate income tax paid		(2 559)	(3 642)	(2 239)	(3 186)
Net cash flows to/ from operating activities		**11 945**	**16 998**	**5 839**	**8 308**
Cash flows to/from investing activities					
Purchase of property, plant and equipment	13	(10 069)	(14 326)	(3 221)	(4 583)
Acquisition of subsidiary	3	(4 793)	(6 820)	(896)	(1 275)
Proceeds from sale of intangible assets and property, plant and equipment		656	933	72	102
Repayment of loans		725	1 031	7	10
Interest received		13	18	6	9
Loans granted		(1 954)	(2 781)	(800)	(1 138)
Net cash flows to/from investing activities		**(15 422)**	**(21 945)**	**(4 832)**	**(6 875)**
Cash flows to/from financing activities					
Dividends paid		(1 507)	(2 145)	(868)	(1 235)
Borrowings repaid		(2 639)	(3 755)	(1 503)	(2 139)
Proceeds from borrowings		7 305	10 394	1 631	2 321
Net cash flows to/from financing activities		**3 159**	**4 494**	**(740)**	**(1 053)**
Change in cash		**(318)**	**(453)**	**267**	**380**
Cash at the beginning of the year		**1 792**	**2 550**	**1 525**	**2 170**
Cash at the and of the year		**1 474**	**2 097**	**1 792**	**2 550**

*Supplementary information, see also Note 2.1.
The accompanying notes form an integral part of these financial statements.

Statement of consolidated changes in equity

	Share capital	Share premium	Retained earnings	Total	Non-controlling interests	Total
	LVL '000	**LVL '000**	**LVL '000**	**LVL '000**	**LVL '000**	**LVL '000**
Balance as at 31 December 2011	**14 085**	**1 760**	**11 370**	**27 214**	**-**	**27 214**
Profit for the reporting year	-	-	9 723	9 723	-	9 723
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	9 723	9 723	-	9 723
Paid dividends	-	-	(868)	(868)	-	(868)
Balance as at 31 December 2012	**14 085**	**1 760**	**20 225**	**36 070**	**-**	**36 070**
Profit for the reporting year	-	-	8 946	8 946	(92)	8 854
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	8 946	8 946	(92)	8 854
Business combination	-	-	-	-	147	147
Paid dividends	-	-	(1 507)	(1 507)	-	(1 507)
Balance as at 31 December 2013	**14 085**	**1 760**	**27 663**	**43 508**	**55**	**43 563**
	EUR '000*	**EUR '000***	**EUR '000***	**EUR '000***	**EUR '000***	**EUR '000***
Balance as at 31 December 2011	**20 041**	**2 504**	**16 177**	**38 722**	**-**	**38 723**
Profit for the reporting year	-	-	13 834	13 834	-	13 834
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	13 834	13 834	-	13 834
Paid dividends	-	-	(1 235)	(1 235)	-	(1 235)
Balance as at 31 December 2012	**20 041**	**2 504**	**28 776**	**51 321**	**-**	**51 322**
Profit for the reporting year	-	-	12 732	12 732	(131)	12 601
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	12 732	12 732	(131)	12 601
Business combination	-	-	-	-	209	209
Paid dividends	-	-	(2 145)	(2 145)	-	(2 145)
Balance as at 31 December 2013	**20 041**	**2 504**	**39 364**	**61 909**	**78**	**61 987**

*Supplementary information, see also Note 2.1.
The accompanying notes form an integral part of these financial statements.

Notes to the consolidated financial statements

1. Corporate information

The principal activities of AS OlainFarm group (hereinafter, the Group) are manufacturing and distribution of chemical and pharmaceutical products (see Note 4). The Parent Company of the Group, AS OlainFarm (hereinafter, the Parent Company) was registered with the Republic of Latvia Enterprise Register on 10 June 1991 and with the Republic of Latvia Commercial Register on 4 August 2004. AS OlainFarm office is registered in Rūpnīcu iela 5, Olaine. The shares of the Parent Company are listed on Riga Stock Exchange, Latvia. Information on the Group's structure and other related party relationships of the Group is provided in Note 28 on related parties disclosures.

These consolidated financial statements were approved by the Board on 28 April 2014.

The Parent Company's shareholders have the power to amend the consolidated financial statements after the issue.

2.1. Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

The consolidated financial statements have been prepared on a historical cost basis, unless stated otherwise in the accounting policies described below. The consolidated financial statements are presented in lats (LVL, the monetary unit of the Republic of Latvia) and rounded to the nearest thousand (LVL'000 or thsd LVL), notes are presented in lats and rounded to the nearest thousand. Lats are pegged to euro as of 1 January 2005 at a rate of 0.702804 lats per one euro. As of 1 January 2014 the monetary unit of the Republic of Latvia is euro – opening balance as of this date as well as comparative historical information is translated to euro at fixed exchange rate of 0.702804 lats per one euro. For supplemental information purposes the consolidated financial statements are translated in euros (EUR, European Monetary Unit) and rounded to the nearest thousand (EUR'000 or thsd EUR).

2.2. Basis of consolidation

The consolidated financial statements comprise the financial statements of AS OlainFarm and its all subsidiaries as at 31 December 2013.

The results of subsidiaries sold and acquired are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies.

The financial statements of the Parent Company and its subsidiaries are consolidated in the Group's consolidated financial statements by adding together like items of assets and liabilities as well as income and expense. For the purposes of consolidation, unrealised internal profits, intra-group balances, intra-group shareholdings, dividends and other intra-group transactions are eliminated from the Group's financial statements.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in the statement of comprehensive income
- Reclassifies the parent's share of components previously recognised in other comprehensive income to statement of comprehensive income or retained earnings, as appropriate.

2.3. Summary of significant accounting policies

Fair value

Fair values of financial instruments measured at amortised cost are disclosed in note 31.
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.

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

Fair value (cont'd)

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete and its ability to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset;
- the ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit and amortization charge recorded in "Amortization / depreciation" in statement of comprehensive income. During the period of development, the asset is tested for impairment annually.

Patents

Patents have been granted for a particular period by the relevant government agency. Patents are measured on initial recognition at cost. Following initial recognition patents are carried at cost less accumulated amortization and any impairment loss. Patents have been assigned a finite period of useful life (20 years) and are depreciated on a straight line basis over the period of the patent. Please see Note 12 for details on acquired patents.

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

Pharmacy licences and premise lease agreements

Pharmacy licences and premise lease agreements are intangible assets acquired in a business combination. The cost of pharmacy licences and premise lease agreements are their fair value as at the date of acquisition. Following initial recognition, pharmacy licences and premise lease agreements are carried at cost less any accumulated impairment losses.
Pharmacy licences and lease contracts are considered as the major asset acquired with the business as in order to generate cash flows the licence holder should have leased or owned premises. Therefore the Group has decided to treat pharmacy licences and lease contracts as one combined intangible asset.

Due to the fact that there are very limited circumstances in which the licences can be revoked and licences can be renewed at a little or no cost to the Group, the Group has assessed the pharmacy licences and lease contracts to have an indefinite useful life.

Pharmacy licences and premise lease agreements are not amortised, but are tested for impairment annually, at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, a change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the income statement when the asset is derecognised.

Other intangible non-current assets

Other intangible assets basically consist of the costs of acquisition of preparation production technologies, medicine registration fee and software. Other intangible assets are stated at cost less accumulated amortization and impairment loss. Other intangible assets are amortised over their estimated useful lives on a straight-line basis. The amortization rate for other intangible assets is fixed as follows: 20% for production technologies and 20-25% for other intangible non-current assets.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Land is not depreciated. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset:

	% per annum
Buildings and constructions	*5*
Equipment and machinery	*10-15*
Computers and software	*25*
Other tangible assets	*20*

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. To the extent that the Group depreciates separately some parts of plant, property and equipment, it also depreciates separately the remainder of the item. The remainder consists of the parts that are individually insignificant. The depreciation for the remainder is determined using approximation techniques to faithfully represent its useful life.

When tangible non-current assets are sold or disposed of, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the statement of comprehensive income.

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

Construction in progress represents property, plant and equipment under construction and is stated at historical cost. This includes the cost of construction and other direct expenses. Construction in progress is not depreciated as long as the respective assets are not completed and available for use.

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

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Non-financial assets that have an indefinite useful life (including goodwill) are tested for impairment at each reporting date. For the other non-financial assets, impairment indicators are checked on yearly basis. For this purpose, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Goodwill impairment is not reversed.

Investment in associates

An associate is an entity over which the Group has significant influence without control over the financial and operating policy decisions of the investee.

The Group's investments in its associates are accounted for using equity method. Under the equity method, the investment is initially recognised at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate. The Group's share of the results of operations of associate is reflected in the statement of comprehensive income.

The statement of comprehensive income reflects the Group's share of the results of operations of the associate. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate.

At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then recognises the loss as 'Share of profit of an associate' in the statement of comprehensive income.

Financial assets

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through statement of comprehensive income, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through statement of comprehensive income, directly attributable transaction costs.

The Group determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates the designation at each financial year end.

All regular way purchases and sales of financial assets are recognized on the trade date, which is the date when the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement loans and receivables are subsequently carried at amortised cost using the effective interest method less any allowance for impairment determined on individual bases. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised finance income or finance expenses or other operating expense in the statement of profit and loss when the loans and receivables are derecognised or impaired, as well as through the amortization process.

Cash and short term deposits

Cash comprises cash at bank and on hand, and short-term deposits with an original maturity of three months or less.

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

Interest bearing loans and borrowings

All loans and borrowings are initially recognized at fair value, net of the consideration received less directly attributable transaction costs incurred. After initial recognition, loans and borrowings are subsequently measured at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of comprehensive income over the period of the borrowings using the effective interest rate method.

Gains and losses are recognised in the statement of comprehensive income as interest income/ expense when the liabilities are derecognised as well as through the amortization process.

Impairment of financial assets

The Group assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired. An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. Such reversal is recognised in statement of comprehensive income.

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment. The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in statement of comprehensive income. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of comprehensive income.

Derecognition of financial assets and liabilities

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

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

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of Group's continuing involvement in the asset.

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

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

Inventories

Inventories are valued at the lower of net realisable value and cost.

Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

Raw materials – acquisition cost on an average weighed cost basis;

Finished goods and work-in-progress – cost of direct materials and labor plus indirect costs related to production. Indirect production costs consist of labour, energy, depreciation and other production-related expense calculated based on the ordinary production output.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

An allowance for obsolete inventories is established based on the review and analysis of individual items. Impairment of inventories caused by obsolescence and physical damage is assessed by the Group on a regular basis, and the respective losses are charged to the statement of comprehensive income as other operating expense. Where damaged inventories are physically destroyed, the value of inventories and the respective allowances are written off.

Accruals and deferrals

Accruals and deferrals are recorded to recognise revenues and costs as they are earned or incurred.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of provisions to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

Leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments, by respective charge to current and non-current liabilities. Lease payments are apportioned between the finance charges and reduction of the principal lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized directly in the statement of comprehensive income.

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

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term. The commitments undertaken by the Group with respect to operating lease contracts are recorded as off-balance sheet liabilities.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The Group capitalises borrowing costs for all eligible assets where construction was commenced on or after 1 January 2009.

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

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, less value added tax and sales-related discounts. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

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

Rendering of services

The value of services rendered basically comprises revenue from travel services of related company, pharmaceutical products analysis services and gain from sale of non-current assets. Revenue is recognised in the period when the services are rendered.

Interest

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available for sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the income statement.

Rental income

Rental income arising from operating leases on properties is accounted for on a straight-line basis over the lease terms and included in revenue due to its operating nature.

Corporate income tax

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

Deferred corporate income tax arising from temporary differences in the timing of the recognition of items in the tax returns and these financial statements is calculated using the liability method. The deferred corporate income tax asset and liability are determined on the basis of the tax rates that are expected to apply when the timing differences reverse. The principal temporary timing differences arise from differing rates of accounting and tax amortization and depreciation on the non-current assets, the treatment of temporary non-taxable provisions and reserves, as well as tax losses carried forward. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

Contingencies

Except for business combinations, contingent liabilities are not recognised in these financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognised in these financial statements but disclosed when an inflow of economic benefits is probable.

Subsequent events

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

Earnings per share

Earnings per share are calculated by dividing the net profit after taxation for the year by the average number of ordinary shares in issue during the year. The average number of shares in issue during the year is weighted to take into account the timing of the issue of new shares.

Foreign currency translation

The functional and reporting currency of companies of the Group is the Lat (LVL). All transactions denominated in foreign currencies are converted into Lats at the Bank of Latvia rate of exchange prevailing on the day the transaction took place. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the profit and loss statement. At the yearend foreign currency financial assets and liabilities are translated at the Bank of Latvia rate of exchange ruling at 31 December, and all associated exchange differences are dealt with through the profit and loss statement.

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

Foreign currency translation (cont'd)

Exchange rates against the USD, RUB and EUR in the last two years have been as follows:

	31/12/2013	*31/12/2012*
EUR	*0.702804*	*0.702804*
USD	*0.515*	*0.531*
RUB	*0.0156*	*0.0174*

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in other operating expense in the statement of profit and loss.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through statement of comprehensive income.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the Group will retrospectively adjust the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date. During the measurement period, the Group will also recognise additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the Group receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period shall not exceed one year from the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in statement of comprehensive income or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in statement of comprehensive income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Accounting of grants received

The Group has received grants as a financing of the construction of property, plant and equipment or development of intangible assets. Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. The grant is recognised in the balance sheet as deferred income and recorded as income in equal amounts over the expected useful life of the related asset.

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

Changes in accounting policy and disclosures

The accounting policies are consistent with those followed in the preparation of the Group's annual financial statement for the previous periods, except for the following new and amended IFRSs and IFRICs which have been adopted by the Group as of 1 January 2013:

Amendment to IAS 1 Financial Statement Presentation - Presentation of Items of Other Comprehensive Income

The amendment has no impact on the Group's financial position or performance, because the Group has no Other Comprehensive Income.

Amendment to IAS 19 Employee Benefits (revised 2011)

The amendment has no impact on the Group's financial position or performance, because the Group does not have material defined benefit obligations.

Amendment to IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities

The amendment has no impact on the Group's financial position or performance, because the Group does not have netting arrangements.

IFRS 13 Fair Value Measurement

The main reason of issuance of IFRS 13 is to reduce complexity and improve consistency in application when measuring fair value. It does not change when an entity is required to use fair value but, rather, provides guidance on how to measure fair value under IFRS when fair value is required or permitted by IFRS. The amendment affects presentation of disclosures only and has no impact on the Group's financial position or performance.

IFRIC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine

Interpretation has no impact on the Group's financial statements, as the Group is not involved in the mining activity.

Significant accounting judgments, estimates and assumptions

The preparation of consolidated financial statements in conformity with IFRS requires the management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses, and disclosure of contingencies. The significant areas of estimation used in the preparation of the accompanying consolidated financial statements relate to capitalization of development costs, depreciation, allowances for doubtful receivables and inventories, and impairment evaluation. Although these estimates are based on the management's best knowledge of current events and actions, the actual results may ultimately differ from those estimates.

Significant estimates and assumptions made by the management are disclosed in the following notes to the financial statements: Purchase price allocation: initial recognition and measurement of identifiable assets acquired and liabilities - see Note 1 – Intangibles with indefinite useful lives; Impairment of intangible assets – see Note 12; for depreciation – see Note 13; for allowances for doubtful receivables – see Note 15; for allowances for doubtful inventories – see Note 14.

2.4. Prior period reclassifications

To improve comparability between reporting and prior years and to apply accounting methodology changes retrospectively the captions of profit and loss statement and balance sheet for prior year are reclassified as follows:

		Consolidated financial statements for the year 2013		Consolidated financial statements for the year 2012		Reclassification	
	Notes	2012 LVL '000	2012 EUR '000*	2012 LVL '000	2012 EUR '000*	2012 LVL '000	2012 EUR '000*
Other operating income	5	1 023	1 456	1 095	1 558	(72)	(102)
Cost of materials:		-					
raw materials and consumables		(9 567)	(13 613)	(9 562)	(13 605)	(5)	(8)
Wages and salaries		(8 668)	(12 333)	(7 962)	(11 328)	(706)	(1 005)
Statutory social insurance contributions		(2 268)	(3 227)	(1 960)	(2 789)	(308)	(438)
Depreciation/ amortization	12,13	(2 050)	(2 917)	(2 027)	(2 885)	(23)	(32)
Other operating expense	6	(16 817)	(23 928)	(17 932)	(25 515)	1 115	1 587
Financial income	7	53	75	2	3	51	72
Financial expense	8	(269)	(383)	(217)	(309)	(52)	(74)
TOTAL:						-	-

2.4. Prior period reclassifications (cont'd)

		Consolidated financial statements for the year 2013		Consolidated financial statements for the year 2012		Reclassification	
ASSETS	Notes	**31.12.2012**	**31.12.2012**	**31.12.2012**	**31.12.2012**	**31.12.2012**	**31.12.2012**
NON-CURRENT ASSETS		**LVL '000**	**EUR '000***	**LVL '000**	**EUR '000***	**LVL '000**	**EUR '000***
Property, plant and equipment						-	-
Land, buildings and constructions		7 903	11 246	7 937	11 294	(34)	(48)
Leasehold investments		34	48	-	-	34	48
TOTAL:						-	-
CURRENT ASSETS							
Receivables						-	-
Trade receivables and receivables from associated and other related companies	16	19 080	27 148	18 997	27 030	83	118
Other receivables	17	490	697	573	815	(83)	(118)
TOTAL:						-	-
EQUITY AND LIABILITIES							
LIABILITIES							
Non-current liabilities							
Deferred income	27	168	239	-	-	168	239
Current liabilities						-	-
Deferred income	27	120	171	288	410	(168)	(239)
TOTAL:						-	-

3. Business combinations

During the reporting period the Group acquired several unlisted companies registered in Latvia as described below. Companies were acquired to expand the Group product portfolio, utilize more effectively existing infrastructure and increase retail coverage. The Group has used a multiple earnings method in the valuation of intangible assets. The main assumptions used – expected profitability and revenue growth. At the date of authorising for issue these financial statements the Group has not yet finalized the identification process for intangible assets from the business combinations of year 2013 - therefore the net assets and goodwill recognized in the financial statements are provisional. The financial statements include the results of acquired companies from acquisition date till the end of reporting period.

Acquisition of Silvanols SIA

During financial year 2013 AS Olainfarm has acquired the control of SIA Silvanols. The acquisition was made in the following stages:

Acquisition date	% of shares acquired
March 7, 2013	20.1%
May 20, 2013	27.41%
May 31, 2013	23.37%
Total	**70.88%**

As a result 70.88% of shareholding and voting power of pharmaceutical production company Silvanols SIA was acquired. Remeasurement of fair value of the equity interest was made at the future acquisition dates. It was assessed that fair value has not changed and neither losses nor gains should be recognized as a result this.

The Group elected to measure the non-controlling interest in the acquiree at the proportionate share of its interests in the acquiree's identifiable net assets. The fair value of the identifiable assets and liabilities of Silvanols SIA as at the date of acquisition:

3. Business combination (cont'd)

	Fair value recognized on acquisition	
	LVL '000	**EUR '000**
Assets		
Intangible assets	16	23
Property, plant and equipment (provisional)	407	579
Other long term assets (provisional)	320	455
Cash and cash equivalents	22	31
Other receivables	41	58
Trade receivables	208	296
Inventories (provisional)	489	696
	1 503	**2 138**
Liabilities		
Trade payables	(233)	(332)
Other current liabilities	(751)	(1 069)
Deferred tax liabilities	(2)	(3)
	(986)	**(1 404)**
Total identifiable net assets at fair value	**517**	**734**
Non-controlling interest	(147)	(209)
Goodwill arising on acquisition (provisional)	1 724	2 454
Purchase consideration transferred	**2 094**	**2 979**
Analysis of cash flows on acquisition:		
Net cash acquired with the subsidiary	22	31
Cash paid	(2 094)	(2 979)
Net cash outflow	**(2 072)**	**(2 948)**

This subsidiary has contributed 1 059 thsd LVL (1 507 thsd EUR) of revenue and generated 218 thsd LVL (310 thsd EUR) of loss before tax from the continuing operations of the Group. If the combination had taken place at the beginning of the year, revenue from continuing operations would have been 1 894 thsd LVL (2 695 thsd EUR) and the loss from continuing operations for the Group would have been 375 thsd LVL (534 thsd EUR).

The goodwill recognized is primarily attributed to the expected synergies and other benefits from combining the assets and activities of Silvanols SIA with those of the Group, trademarks of Silvanols SIA and its products that is not separately recognised, assembled workforce which is not separately recognised in total of 1 713 thsd LVL (2 437 thsd EUR) and deferred tax liability due to a difference between the fair value and book value of the acquired net assets of Silvanols SIA 2 thsd LVL (3 thsd EUR). Silvanols SIA is recognized as separate cash generating unit where the related goodwill and intangible assets are attributable.

3. Business combination (cont'd)

Acquisition of Pharmacies

During the year 2013 the Group continued to acquire pharmacies. The provisional fair value of the identifiable assets and liabilities of acquired pharmacies as at the date of acquisition were:

Acquired entity	*Sabiedrības "ARS" Aptieka*	*Traumu Aptieka*	*Priekules aptieka*	*Trīsdesmit Seši un Seši*	*Jaun-jelgavas Aptieka*	*Mana Aptieka*	*Daugav-krasta Farmācija*	*Baltā Aptieka I.P.I.*	*Elpa Aptiekas*	
Percentage of voting equity interest acquired	100%	100%	100%	100%	100%	100%	100%	100%	100%	
Acquisition date	25.11.2013	31.10.2013	30.08.2013	23.05.2013	21.05.2013	10.04.2013	18.03.2013	18.03.2013	11.02.2013	
	Fair value recognized on acquisition									**TOTAL**
	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000	LVL'000
Assets										
Premises lease agreement and licences (provisional)	240	230	120	20	-	20	10	-	1 070	1 710
Property, plant and equipment	1	-	-	6	9	7	2	88	13	126
Cash and cash equivalents	5	-	3	14	1	1	-	2	6	32
Other receivables	1	1	1	13	-	1	1	1	4	23
Trade receivables	2	10	9	1	1	1	-	6	57	87
Inventories	78	16	20	22	9	5	8	29	80	267
	327	**257**	**153**	**76**	**20**	**35**	**21**	**126**	**1 230**	**2 245**
Liabilities										
Trade payables	(50)	(24)	(17)	(38)	(11)	(13)	(5)	(30)	(175)	(363)
Other current liabilities	(6)	(1)	(3)	(2)	-	(2)	(2)	(3)	(35)	(54)
Other long term liabilities	-	-	-	-	-	-	-	-	(270)	(270)
Deferred tax liabilities	(41)	(35)	(19)	(4)	(1)	(3)	(2)	(11)	(164)	(280)
	(97)	**(60)**	**(39)**	**(44)**	**(12)**	**(18)**	**(9)**	**(44)**	**(644)**	**(967)**
										-
Total identifiable net assets at fair value	**230**	**197**	**114**	**32**	**8**	**17**	**12**	**82**	**586**	**1 278**
Goodwill arising on acquisition (provisional)	370	8	36	153	54	159	122	209	364	1 475
Purchase consideration transferred	**600**	**205**	**150**	**185**	**62**	**176**	**134**	**291**	**950**	**2 753**
Goodwill comprises:										-
- an increase in deferred tax from acquired net asset fair value and book value deference	41	35	19	4	1	3	2	11	164	280
- expected synergies and assembled workforce not recognised separately	329	(27)	17	149	53	156	120	198	200	1 195
Analysis of cash flows on acquisition:										
Net cash acquired with the subsidiary	5	-	3	14	1	1	-	2	6	32
Cash paid	(600)	(205)	(150)	(185)	(62)	(176)	(134)	(291)	(950)	(2 753)
Net cash outflow	**(595)**	**(205)**	**(147)**	**(171)**	**(61)**	**(175)**	**(134)**	**(289)**	**(944)**	**(2 721)**
Effect of acquisition to the Group										
Revenue contributed	37	13	15	67	16	17	44	69	239	517
Profit / (Loss) before tax generated	(1)	-	-	6	-	2	7	1	-	15
Estimated effect of acquisition if acquisition date had been as of the beginning of the year										
Estimated revenue for whole year	433	159	178	144	42	47	46	117	358	1 524
Estimated profit / (loss) before tax for whole year	(10)	-	5	15	-	5	6	2	(198)	(175)

3. Business combination (cont'd)

Acquisition of Pharmacies (cont'd)

Acquired entity	*Sabiedrības "ARS" Aptieka*	*Traumu Aptieka*	*Priekules aptieka*	*Trīsdesmit Seši un Seši*	*Jaun-jelgavas Aptieka*	*Mana Aptieka*	*Daugav-krasta Farmācija*	*Baltā Aptieka I.P.I.*	*Elpa Aptiekas*	
Percentage of voting equity interest acquired	100%	100%	100%	100%	100%	100%	100%	100%	100%	
Acquisition date	25.11.2013	31.10.2013	30.08.2013	23.05.2013	21.05.2013	10.04.2013	18.03.2013	18.03.2013	11.02.2013	
	Fair value recognized on acquisition									**TOTAL**
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Assets										
Premises lease agreement and licences (provisional)	341	327	171	28	-	28	14	-	1 522	2 431
Property, plant and equipment	1	-	-	9	13	10	3	125	18	179
Cash and cash equivalents	7	-	4	20	1	1	-	3	9	45
Other receivables	1	1	1	18	-	1	1	1	6	30
Trade receivables	3	14	13	1	1	1	-	9	81	123
Inventories	111	23	28	31	13	7	11	-	114	338
	464	**365**	**217**	**107**	**28**	**48**	**29**	**138**	**1 750**	**3 146**
Liabilities										
Trade payables	(71)	(34)	(24)	(54)	(16)	(18)	(7)	(43)	(249)	(516)
Other current liabilities	(9)	(1)	(4)	(3)	-	(3)	(3)	(4)	(50)	(77)
Other long term liabilities	-	-	-	-	-	-	-	-	(384)	(384)
Deferred tax liabilities	(58)	(50)	(27)	(6)	(1)	(4)	(3)	(16)	(233)	(398)
	(138)	**(85)**	**(55)**	**(63)**	**(17)**	**(25)**	**(13)**	**(63)**	**(916)**	**(1 375)**
										-
Total identifiable net assets at fair value	**326**	**280**	**162**	**44**	**11**	**23**	**16**	**75**	**834**	**1 771**
Goodwill arising on acquisition (provisional)	528	12	51	219	77	227	175	339	518	2 146
Purchase consideration transferred	**854**	**292**	**213**	**263**	**88**	**250**	**191**	**414**	**1 352**	**3 917**
Goodwill comprises:										
- an increase in deferred tax from acquired net asset fair value and book value deference	58	50	27	6	1	4	3	16	233	398
- expected synergies and assembled workforce not recognised separately	468	(38)	24	212	75	222	171	282	285	1 701
										-
Analysis of cash flows on acquisition:										-
Net cash acquired with the subsidiary	7	-	4	20	1	1	-	3	9	45
Cash paid	(854)	(292)	(213)	(263)	(88)	(250)	(191)	(414)	(1 352)	(3 917)
Net cash outflow	**(847)**	**(292)**	**(209)**	**(243)**	**(87)**	**(249)**	**(191)**	**(411)**	**(1 343)**	**(3 872)**
Effect of acquisition to the Group										
Revenue contributed	53	18	21	95	23	24	63	98	340	735
Profit / (Loss) before tax generated	(1)	-	-	9	-	3	10	1	-	22
Estimated effect of acquisition if acquisition date had been as of the beginning of the year										
Estimated revenue for whole year	616	226	253	205	60	67	65	166	509	2 167
Estimated profit / (loss) before tax for whole year	(14)	-	7	21	-	7	9	3	(282)	(249)

The goodwill recognized is primarily attributed to the expected synergies and other benefits from combining the assets and activities of the subsidiary with those of the Group and increase of deferred tax liability from the business combination. Goodwill is allocated entirely to the pharmacy retail segment.

Gross contractual amounts receivable for acquired pharmacies approximates net receivables disclosed and material uncollectable contractual cash flows at acquisition date are not identified.

3. Business combination (cont'd)

Information on prior year acquisitions

During financial year 2012 100% shares of Teriaks SIA, Rudens Laiks SIA, Aptieka Rudens 10 SIA, Esplanade Farm SIA were acquired, all unlisted pharmacy retail companies registered in Latvia. In 2013 the valuation of acquired pharmacies during year 2012 was completed - no adjustments have been recognised in initial provisional goodwill and net assets value of acquired companies.

Acquired entity	***Esplanāde farm***		***Aptieka Rudens 10***		***Rudens Laiks***		***Teriaks***			
Percentage of voting equity interest acquired	100%		100%		100%		100%			
Acquisition date	07.06.2012		24.05.2012		24.05.2012		09.02.2012			
	Fair value recognized on acquisition								**TOTAL**	
	LVL'000	EUR'000	LVL'000	EUR'000	LVL'000	EUR'000	LVL'000	EUR'000	LVL'000	EUR'000
Assets										
Premises lease agreement and licences	100	142	180	256	180	256	36	51	496	705
Property, plant and equipment	1	1	1	1	1	1	29	41	32	44
Cash and cash equivalents	5	7	56	80	18	26	1	1	80	114
Other receivables	18	26	-	-	-	-		-	18	26
Trade receivables	1	1	26	37	12	17	5	7	44	62
Inventories	37	53	58	83	64	-	17	24	176	160
	162	**230**	**321**	**457**	**275**	**300**	**88**	**124**	**846**	**1 111**
Liabilities									-	-
Trade payables	(48)	(68)	(82)	(117)	(50)	(71)	(19)	(27)	(199)	(283)
Other current liabilities	(8)	(11)	(14)	(20)	(12)	(17)	(1)	(1)	(35)	(49)
Other long term liabilities		-		-	-	-	-	-	-	-
Deferred tax liabilities	(16)	(23)	(29)	(41)	(29)	(41)	(10)	(14)	(84)	(119)
	(72)	**(102)**	**(125)**	**(178)**	**(91)**	**(129)**	**(30)**	**(42)**	**(318)**	**(451)**
Total identifiable net assets at fair value	**90**	**128**	**196**	**279**	**184**	**171**	**58**	**82**	**528**	**660**
Goodwill arising on acquisition	76	108	99	141	111	249	2	3	288	501
Purchase consideration transferred	**166**	**236**	**295**	**420**	**295**	**420**	**60**	**85**	**816**	**1 161**
Goodwill comprises:										
- an increase in deferred tax from acquired net asset fair value and book value deference	16	23	29	41	29	41	2	3	76	108
- expected synergies and assembled workforce not recognised separately	60	85	70	100	82	117	-	-	212	302
Analysis of cash flows on acquisition:									-	-
Net cash acquired with the subsidiary	5	7	56	80	18	26	1	1	80	114
Cash paid	(166)	(236)	(295)	(420)	(295)	(420)	(60)	(85)	(816)	(1 161)
Net cash outflow	**(161)**	**(229)**	**(239)**	**(340)**	**(277)**	**(394)**	**(59)**	**(84)**	**(736)**	**(1 047)**
Effect of acquisition to the Group at acquisition year										
Revenue contributed	103	147	338	481	268	381	112	159	821	1 168
Profit / (Loss) before tax generated	(17)	(24)	7	10	4	6	2	3	(4)	(5)
Estimated effect of acquisition if acquisition date had been as of the beginning of the acquisition year										
Estimated revenue for whole year	257	366	679	966	508	723	147	209	1 591	2 264
Estimated profit / (loss) before tax for whole year	18	26	21	30	12	17	3	4	54	77

4. Net sales

By business segments	2013 LVL '000	2013 EUR '000	2012 LVL '000	2012 EUR '000
Finished form medicine	39 672	56 448	41 615	59 213
Pharmacy	9 716	13 825	6 494	9 240
Chemicals	3 550	5 051	3 808	5 418
Silvanols	1 032	1 468	-	-
Wholesale	818	1 164	918	1 306
	54 788	**77 956**	**52 835**	**75 177**

By geographical segments	2013 LVL '000	2013 EUR '000	2012 LVL '000	2012 EUR '000
CIS	37 213	52 949	38 566	54 874
Latvia	12 901	18 356	9 516	13 540
Europe	3 571	5 081	2 838	4 038
Baltic states (Lithuania and Estonia)	442	629	509	724
Other	661	941	1 406	2 001
	54 788	**77 956**	**52 835**	**75 177**

5. Other operating income

	2013 LVL '000	2013 EUR '000	2012 LVL '000	2012 EUR '000
Products analysis services	515	733	79	112
Insurance compensation	220	313	-	-
Release of allowances	200	285	108	154
Sale of current assets	136	194	24	34
Lease of premises	91	129	83	118
Travel services	78	111	378	538
Income of services in packing	69	98	92	131
Used EU grants	69	98	14	20
Incomes from catering services	67	95	45	64
Income of transport services	18	26	13	18
Treatment of waste water	13	18	9	13
Royalty	4	6	4	6
Other operating income	257	366	174	248
TOAL:	**1 737**	**2 472**	**1 023**	**1 456**

6. Other operating expense

	2013		2012	
	LVL '000	EUR '000	LVL '000	EUR '000
Marketing expense	10 995	15 644	10 233	14 560
Transportation expense	238	339	184	262
Royalty	149	212	158	225
Distribution costs of Chemicals	141	201	342	487
Sales commissions	124	176	140	199
Expert analysis of medicines	80	114	89	127
Other distribution costs	412	586	259	369
Total distribution costs:	*12 139*	*17 272*	*11 405*	*16 228*
Cost of travel services	657	935	695	989
Loss on sale/ disposal of property, plant and equipment	658	937	246	350
Car fleet maintenance	440	625	389	554
Representation expense	449	639	309	440
Other administrative expense	360	512	223	317
Information and business consulting	240	341	160	228
Security	236	336	233	332
Donations	206	293	96	137
New product research and developments costs	193	275	86	122
Other personnell related costs	191	272	133	189
Assets write-offs	169	240	217	309
Insurance	142	202	109	155
Bank charges	137	195	46	65
Communications expense	107	152	243	346
Professional services expense	99	141	92	131
Real estate taxes	77	110	76	108
Annual payment for medicines register	76	108	85	121
Social infrastructure	69	98	40	57
Current repairs	65	92	68	97
Impairment/(reversal of impairment) of tangible non-current assets	(73)	(104)	1 146	1 631
Other operating expense	199	283	719	1 023
TOTAL:	**16 836**	**23 955**	**16 816**	**23 927**

7. Financial income

	2013		2012	
	LVL '000	EUR '000	LVL '000	EUR '000
Loan interest income	102	145	53	75
TOTAL:	**102**	**145**	**53**	**75**

8. Financial expense

	2013		2012	
	LVL '000	EUR '000	LVL '000	EUR '000
Loan interest expenses	163	232	207	295
Penalties paid for late payments	52	74	11	16
Currency exchange loss, net	816	1 161	51	73
TOTAL:	**1 031**	**1 467**	**269**	**383**

Realised and unrealised net currency exchange loss for the reporting year is mainly related to receivables in RUB devaluated during reporting year.

9. Corporate income tax

	2013		2012	
	LVL'000	EUR'000	LVL'000	EUR'000
Current corporate income tax charge for the year	1 512	2 151	1 969	2 802
Deferred corporate income tax due to changes in temporary differences	92	131	40	57
Charged to the income statement:	**1 604**	**2 282**	**2 009**	**2 859**

Deferred tax relates to the following:

	Consolidated statement of financial position				Profit and loss			
	31.12.2013.		31.12.2012.		2013		2012	
	LVL'000	EUR'000	LVL'000	EUR'000	LVL'000	EUR'000	LVL'000	EUR'000
Deferred corporate income tax liability								
Accelerated depreciation for tax purposes	(867)	(1 234)	(760)	(1 081)	(107)	(152)	(97)	(138)
Deferred income tax liability arising on acquisition (Note 12)	(978)	(1 392)	(710)	(1 010)	-	-	-	-
Gross deferred corporate income tax liability	**(1 845)**	**(2 625)**	**(1 470)**	**(2 092)**	**(107)**	**(152)**	**(97)**	**(138)**
Deferred corporate income tax assets								
Vacation pay reserve	100	142	69	98	31	44	18	26
Allowances for slow-moving items	123	175	147	209	(24)	(34)	39	55
Other assets	8	11	-	-	8	11	-	-
Gross deferred corporate income tax asset	**231**	**329**	**216**	**307**	**15**	**21**	**57**	**81**
Net deferred tax (liability)	**(1 614)**	**(2 297)**	**(1 254)**	**(1 784)**	**(92)**	**(131)**	**(40)**	**(57)**

Reconciliation of tax expense:

	2013		2012	
	LVL'000	EUR'000	LVL'000	EUR'000
Profit before taxes	10 458	14 883	11 732	16 693
Tax at the applicable rate of 15%	1 569	2 232	1 760	2 504
Permanent differences including:				
Fixed assets tax depreciation allowances	(8)	(11)	(12)	(17)
Real estate tax	(11)	(16)	(11)	(16)
Expenses not related to business	134	191	144	205
Other permanent differences	47	67	197	280
Tax allowance	(127)	(181)	(69)	(98)
Actual corporate income tax for the reporting period	**1 604**	**2 282**	**2 009**	**2 858**

10. Staff costs and number of employees

	2013		2012	
	LVL '000	EUR '000	LVL '000	EUR '000
Wages and salaries	9 591	13 647	8 668	12 333
Statutory social insurance contributions	2 503	3 561	2 268	3 227
TOTAL:	**12 094**	**17 208**	**10 936**	**15 560**

	2013		2012	
	LVL '000	EUR '000	LVL '000	EUR '000
Management of the Group				
Wages and salaries	681	969	835	1 188
Statutory social insurance contributions	163	232	189	269
Board Members				
Wages and salaries	741	1 054	519	738
Statutory social insurance contributions	178	253	125	178
Council Members				
Wages and salaries	72	102	72	102
Statutory social insurance contributions	17	24	17	24
TOTAL:	**1 852**	**2 635**	**1 757**	**2 500**

	31/12/2013	31/12/2012
Average number of employees during the reporting year	1 177	1 083

11. Basic and diluted earnings per share

Earnings per share are calculated by dividing the net result for the year after taxation attributable to shareholders by the weighted average number of shares in issue during the year. The table below presents the income and share data used in the computations of basic earnings per share:

	2013		2012	
	LVL '000	EUR '000	LVL '000	EUR '000
Net result attributable to shareholders	8 946	12 731	9 723	13 835
Weighted average number of ordinary shares	14 085 078	14 085 078	14 085 078	14 085 078
Earnings per share	**0.635**	**0.904**	**0.690**	**0.982**

	2013	2012
No of shares at the beginning of respective year	14 085 078	14 085 078
No of shares at the year end	14 085 078	14 085 078
Weighted average No of ordinary shares	**14 085 078**	**14 085 078**

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

Dividend paid per share in the financial year 2013 is LVL 0.107 (for financial year of 2012 – LVL 0.062).

12. Intangible assets

LVL

		Goodwill	Pharmacy licenses and lease contracts	Patents	Other intangible assets	Prepayments for intangible assets	TOTAL
		LVL '000	LVL '000	LVL '000	LVL '000	LVL '000	LVL '000
Acquisition value as at 31/12/11		1 169	3 980	2 941	1 248	284	**9 622**
2012	Additions	-	-	21	369	142	**531**
	Acquisition of subsidiaries	288	496	-	-	-	**784**
	Reclassification	24	(113)	-	56	-	**(34)**
	Disposals	-	-	(2)	(53)	(238)	**(293)**
Acquisition value as at 31/12/12		1 481	4 363	2 960	1 620	188	**10 612**
2013	Additions	-	764	10	166	150	**1 089**
	Acquisition of subsidiaries	3 200	1 710	-	17	-	**4 927**
	Reversed impairment	-	-	157	-	-	**157**
	Reclassification	-	-	-	122	(122)	**-**
	Disposals	-	(360)	-	(101)	-	**(461)**
Acquisition value as at 31/12/13		4 681	6 477	3 126	1 824	216	**16 324**
Accumulated amotisation as at 31/12/11		-	-	1 551	401	60	**2 012**
2012	Amortisation	-	-	163	214	-	**377**
	Impairment	-	-	1 144	-	2	**1 146**
	Amortisation of disposals	-	-	-	(52)	-	**(52)**
Accumulated amotisation as at 31/12/12		-	-	2 858	563	62	**3 484**
2013	Amortisation	-	-	163	237	-	**400**
	Impairment	-	-	-	72	16	**88**
	Amortisation of disposals	-	-	-	(69)	-	**(69)**
Accumulated amotisation as at 31/12/13		-	-	3 021	803	78	**3 902**
Net carrying amount as at 31/12/12		**1 481**	**4 363**	**101**	**1 057**	**126**	**7 128**
Net carrying amount as at 31/12/13		**4 681**	**6 477**	**105**	**1 021**	**138**	**12 422**

EUR

		Goodwill	- licenses and lease contracts	Patents	Other intangible assets	Prepayments for intangible assets	TOTAL
		EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Acquisition value as at 31/12/11		1 664	5 663	4 185	1 776	404	**13 691**
2012	Additions	-	-	29	524	202	**756**
	Acquisition of subsidiaries	410	706	-	-	-	**1 116**
	Reclassification of reversed	-	-	-	-	-	**-**
	Reclassification	33	(161)	-	80	-	**(48)**
	Reclassification from tangible assets	-	-	-	-	-	**-**
	Disposals	-	-	(3)	(75)	(339)	**(417)**
Acquisition value as at 31/12/12		2 107	6 208	4 211	2 305	268	**15 099**
2013	Additions	-	1 087	14	236	213	**1 550**
	Acquisition of subsidiaries	4 553	2 433	-	24	-	**7 011**
	Reversed impairment	-	-	223	-	-	**223**
	Reclassification	-	-	-	174	(174)	**-**
	Disposals	-	(512)	-	(144)	-	**(656)**
Acquisition value as at 31/12/13		6 660	9 216	4 448	2 595	307	**23 228**
Accumulated amotisation as at 31/12/11		-	-	2 207	571	85	**2 863**
2012	Amortisation	-	-	231	305	-	**536**
	Impairment	-	-	1 628	-	3	**1 631**
	Reclassification	-	-	-	-	-	**-**
	Reclassification from tangible assets	-	-	-	-	-	**-**
	Amortisation of disposals	-	-	-	(74)	-	**(74)**
Accumulated amotisation as at 31/12/12		-	-	4 067	801	88	**4 957**
2013	Amortisation	-	-	232	337	-	**569**
	Impairment	-	-	-	103	23	**125**
	Reclassification	-	-	-	-	-	**-**
	Amortisation of disposals	-	-	-	(98)	-	**(98)**
Accumulated amotisation as at 31/12/13		-	-	4 299	1 143	111	**5 553**
Net carrying amount as at 31/12/12		**2 107**	**6 208**	**144**	**1 503**	**180**	**10 142**
Net carrying amount as at 31/12/13		**6 660**	**9 216**	**149**	**1 453**	**196**	**17 674**

During 2011, 2012 and 2013, the Group acquired a number of pharmacy retail units and SIA Silvanols 70.88% shares. The most significant intangibles identified as a result of business combination (see Note 3) were pharmacy licences and lease contracts. Some of the amounts from 2013 are provisional.

Pharmacy licences and lease contracts are considered as the major asset acquired with the business as in order to generate cash flows the licence holder should have leased or owned premises. Therefore the Group has decided to treat pharmacy licences and lease contracts as one combined intangible asset.

Patents

In 2007 and 2008 the Group obtained patents for technology and application of optic isomer, with the values of 950 thsd and 1 900 thsd LVL respectively. Fine-tuning of the technology for production of active pharmaceutical ingredients of these products has been completed and the impurities are reduced according to the EU requirements.

Batches of final dosage forms according to two different recipes were also produced and stability tests started. Different pre-clinical trials are being conducted. The management has made a careful assumption that the first registration of products will be completed only in 2016-2017. During the year of 2012 the Group impaired the values of the patents, mostly caused by the fact that the actual timing of finalizing the laboratory tests is not known precisely.

12. Intangible assets (cont'd)

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to Pharmacy CGU and Silvanols CGU, which are also operating and reportable segments for impairment testing. Premises lease agreements and licences are fully related to Pharmacy CGU.

		Pharmacy CGU	Silvanols CGU	Other	Total
		LVL'000	LVL'000	LVL'000	LVL'000
Goodwill	2013	2 897	1 724	60	4 681
	2012	1 421	-	60	1 481
Pharmacy licences and lease contracts	2013	6 477	-	-	6 477
	2012	4 363	-	-	4 363
		EUR'000	EUR'000	EUR'000	EUR'000
Goodwill	2013	4 122	2 454	85	6 660
	2012	2 022	-	85	2 107
Pharmacy licences and lease contracts	2013	9 216	-	-	9 216
	2012	6 208	-	-	6 208

Since Silvanols is acquired during the year 2013, no final purchase price allocation is performed, thus goodwill of Silvanols CGU is provisional.

The recoverable amounts of Pharmacy CGU and Silvanols CGU are determined based on a value in use calculation using cash flow projections from financial budgets approved by the management. As a result of performed calculations, the management did not identify impairment for Pharmacy and Silvanols CGUs.

Key assumptions used in value in use calculations for Pharmacy CGU

The calculation of value in use for CGU is most sensitive to the following assumptions:

- gross margin;
- discount rate;
- growth rate estimates.

Gross margins

Gross margins were calculated on division between products with regulated and unregulated price in total sales. On average 25% mark-up is applied to the products with regulated pricing and 40% mark-up is applied to the products with unregulated pricing.

Discount rates

The pre-tax Discount rate applied to the cash flow projections is 13.7%. Discount rates represent the current market assessment of the risks specific to CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. A segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on the publicly available market data. The cost of debt is based on the interest bearing borrowings the Group is obliged to service. Decrease of discount rate comparing to previous year rate (14.9%) is mainly due to revaluation of risk free rate used in assessment of WACC.

Growth rate estimates

The recoverable amount was calculated using cash flow projections of each pharmacy separately combined into one cash flow for all of the pharmacies. The cash flow projections were made for an eight year period, with terminal growth of 2% after that period. The nature of the business allows projecting for 8 years reliably. The growth rate of sales during the initial years was based on an assumption that sales of well-established and known pharmacies will grow by 4% per annum, which for a number of years has been a growth rate of the Latvian pharmaceutical retail industry, sales of recently established or remodelled pharmacies will grow by 7% per annum and sales of new pharmacies during the initial years will grow by 10% per annum. For all the companies it resulted in annual sales growing (on average) by 5%, which according to the opinion of the management, is conservative to the reasonable assumption, because it is widely expected that during the nearest years, as the Latvian budgetary situation stabilizes and improves, more funds will be allocated to health care, including the compensation for medicines, - development that will have a very strong positive impact on growth of the pharmaceutical retail industry.

12. Intangible assets (cont'd)

Key assumptions used in value in use calculations for Silvanols CGU

The calculation of value in use for Silvanols CGU is most sensitive to the following assumptions:
- discount rate;
- growth rate estimates.

Discount rates

The pre-tax discount rate applied to the cash flow projections is 13.5%. Discount rates represent the current market assessment of the risks specific to CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. A segment-specific risk is incorporated by applying individual beta factor. The beta factor is evaluated annually based on the publicly available market data. The cost of debt is based on the interest bearing borrowings the Group is obliged to service.

Growth rate estimates

The recoverable amount was calculated using cash flow projections for thirteen years period, with terminal growth of 2% after that period. The growth rate of sales during the initial years is based on Parent Company sales network potential and market penetration plans in CIS countries. Grows ratio is decreasing from 45% for year 2014 till 20% for year 2018 in line with realistic plans availability and assumption that at year 2019 whole potential of Olainfarm sales network will be accommodated with further development at 4% growth rate.

Sensitivity to changes in assumptions

With regard to the assessment of value in use of the Pharmacy and Silvanols unit, the management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

13. Property, plant and equipment

LVL

		Land, buildings and constructions LVL '000	Equipment and machinery LVL '000	Other tangible assets LVL '000	Leasehold investments LVL '000	Construction in progress LVL '000	Prepayments for property, plant and equipment LVL '000	TOTAL LVL '000
Acquisition value as at 31/12/11		14 138	12 403	2 462	-	855	376	**30 233**
	Additions	85	829	668	-	1 728	(237)	**3 074**
2012	Reclassification	110	3	2	-	-	-	**115**
	Reclassification	1 563	8	(6)	34	(1 599)	-	**-**
	Disposals	(57)	(262)	(350)	-	(8)	-	**(677)**
Acquisition value as at 31/12/12		15 839	12 981	2 775	34	975	139	**32 745**
	Additions	-	849	536	67	2 910	4 267	**8 630**
	Acquisition of subsidiaries	97	291	153	2	-	-	**543**
2013	Reversed impairment	-	4	-	-	-	-	**4**
	Reclassification	740	1 422	245	110	(850)	(1 667)	**-**
	Disposals	(71)	(259)	(283)	(25)	(9)	(843)	**(1 488)**
Acquisition value as at 31/12/13		16 605	15 289	3 427	189	3 027	1 896	**40 433**
Accumulated depreciation as at 31/12/11		7 342	9 765	1 650	-	-	-	**18 757**
	Depreciation	646	859	315	-	-	-	**1 820**
2012	Reclassification	-	5	(5)	-	-	-	**-**
	Depreciation of disposals	(51)	(258)	(289)	-	-	-	**(598)**
Accumulated depreciation as at 31/12/12		7 936	10 370	1 672	-	-	-	**19 978**
	Depreciation	671	1 016	411	-	-	-	**2 098**
2013	Reclassification	6	(3)	(3)	-	-	-	**-**
	Depreciation of disposals	(63)	(253)	(251)	-	-	-	**(567)**
Accumulated depreciation as at 31/12/13		8 551	11 130	1 829	-	-	-	**21 510**
Net carrying amount as at 31/12/12		**7 903**	**2 611**	**1 104**	**34**	**975**	**139**	**12 766**
Net carrying amount as at 31/12/13		**8 054**	**4 159**	**1 598**	**189**	**3 027**	**1 896**	**18 923**

EUR

		Land, buildings and constructions EUR '000	Equipment and machinery EUR '000	Other tangible assets EUR '000	Leasehold investments EUR '000	Construction in progress EUR '000	Prepayments for property, plant and equipment EUR '000	TOTAL EUR '000
Acquisition value as at 31/12/11		20 116	17 648	3 503	-	1 216	535	**43 018**
	Additions	121	1 180	950	-	2 459	(337)	**4 373**
2012	Reclassification	156	4	3	-	-	-	**162**
	Reclassification	2 226	11	(9)	48	(2 275)	-	**1**
	Liquidation	(81)	(372)	(498)	-	(12)	-	**(963)**
Acquisition value as at 31/12/12		22 538	18 471	3 949	48	1 388	198	46 591
	Additions	-	1 208	762	97	4 141	6 071	**12 279**
2013	Acquisition value of Property, plant and equipment of subsidiaries purchased in 2012	137	414	218	3	-	-	**772**
	Reclassification of reversed impairment	-	6	-	-	-	-	**6**
	Reclassification	1 052	2 024	349	157	(1 210)	(2 372)	**-**
	Liquidation	(101)	(368)	(402)	(36)	(12)	(1 199)	**(2 118)**
Acquisition value as at 31/12/13		23 626	21 755	4 876	269	4 307	2 698	57 530
Accumulated depreciation as at 31/12/11		10 446	13 894	2 348	-	-	-	**26 688**
	Depreciation	919	1 222	448	-	-	-	**2 589**
2012	Reclassification	-	6	(6)	-	-	-	**-**
	Depreciation of disposals	(73)	(367)	(411)	-	-	-	**(851)**
Accumulated depreciation as at 31/12/12		11 292	14 755	2 379	-	-	-	28 426
	Depreciation	955	1 446	584	-	-	-	**2 985**
2013	Reclassification	8	(4)	(4)	-	-	-	**-**
	Depreciation of disposals	(89)	(360)	(357)	-	-	-	**(806)**
Accumulated depreciation as at 31/12/13		12 166	15 837	2 602	-	-	-	30 605
Net carrying amount as at 31/12/12		**11 245**	**3 715**	**1 571**	**48**	**1 387**	**198**	**18 164**
Net carrying amount as at 31/12/13		**11 460**	**5 918**	**2 274**	**269**	**4 307**	**2 698**	**26 926**

At 31 of December 2013 the total depreciation and amortization charge indicated in the comprehensive income statement differs from the total amount of depreciation and amortization presented in Notes 12 and 13 by 246 thsd LVL, as the depreciation charge of fixed assets in the amount of 66 thsd LVL is disclosed in the comprehensive income statement as Cost of materials, and the depreciation of 180 thsd LVL for the assets involved in EU projects, by which deferred income was reduced (see Note 27).

At 31 of December 2012 The total depreciation and amortisation charge indicated in the comprehensive income statement differs from the total amount of depreciation and amortisation presented in Notes 11 and 12 by 147 thsd LVL, as the depreciation charge of fixed assets of Representative offices in the amount of 65 thsd LVL is disclosed in the comprehensive income statement as Cost of materials, and the depreciation of 83 thsd LVL for the assets involved in EU projects, by which deferred income was reduced (see Note 27).

A number of property, plant and equipment items that have been fully depreciated are still used in the operations of the Parent Company. The total acquisition cost of this property and equipment at the end of the year was LVL 11 156 thsd (2012: LVL 10 800 thsd)

13. Property, plant and equipment (cont'd)

The book value of the land owned by the Group is 150 thsd LVL, whereas the total cadastral value of the land owned by the Group as at 31 December 2013 was 1 278 thsd LVL (2012: LVL 1 285 thsd). The cadastral value of buildings as at 31 December 2012 was LVL 3 909 thsd (2011: LVL 3 446 thsd).

As at 31 December 2013, the net carrying amount of equipment and machinery held under finance lease was 273 thsd (2012: LVL 72 thsd) (see Note 23 for financial lease liabilities).

As at 31 December 2013, all the non-current and current assets owned by the Parent Company, amounting to LVL 63 799 thsd, were pledged as a security for the loan received (see Note 22). The pledge agreements were registered with the Commercial Pledge.

14. Investments in associated companies

The Group has 50% (2012:50%) equity interest with significant influence over but without control over the financial and operating policy decisions in SIA OlainFarm Enerģija whose principal activity is energy cogeneration. The following table illustrates the summarised financial information of the Group's investment in SIA OlainFarm Enerģija:

	2 013		2 012	
	LVL '000	EUR '000	LVL '000	EUR '000
Assets	1 624	2 311	1 383	1 968
Liabilities	1 332	1 895	1 512	2 151
Equity	**292**	**415**	**(129)**	**(184)**
Proportion of the Group's ownership	50%		50%	
Carrying amount of the investment	146	208	(65)	(92)
Recognized investment value	**146**	**208**	**-**	-
Revenue	1 537	2 186	64	91
Profit for the year	419	596	(108)	(154)
Group's share of the profit	**210**	**298**	**(54)**	**(77)**
Investment (Impairment) / reversal of impairment	1	1	(1)	(1)
Loss (coverage)	(65)	(92)	54	77
Group's share of profit of an associate recognized in profit and loss	**146**	**208**	**(1)**	**(1)**

15. Inventories

		31.12.2013		31.12.2012	
		LVL '000	EUR '000	LVL '000	EUR '000
Work in progress (at cost)		5 943	8 456	4 587	6 527
Finished goods and goods for resale (at cost)		4 317	6 143	2 376	3 381
Raw materials (at cost)		1 866	2 655	1 438	2 046
Prepayments for goods		145	206	157	223
	TOTAL:	12 271	17 460	8 558	12 177
Allowances for work in progress		(431)	(613)	(431)	(613)
Allowances for finished goods and goods for resale		(189)	(269)	(347)	(493)
Allowances for raw materials		(201)	(286)	(200)	(285)
	TOTAL:	(821)	(1 168)	(978)	(1 391)
	TOTAL:	**11 450**	**16 292**	**7 580**	**10 785**

As at 31 December 2013, the Group's finished goods and goods for resale comprised goods on consignment totalling LVL 90 thsd (31 December 2012: LVL 60 thsd).

As at 31 December 2013, all the non-current and current assets owned by the Parent Company were pledged as a security for the loan received (see Note 22). The pledge agreements are registered with the Commercial Pledge Registry.

16. Trade receivables and receivables from associated and other related companies

	31.12.2013		31.12.2012	
	LVL '000	EUR '000	LVL '000	EUR '000
Trade receivables	10 804	15 373	9 734	13 850
Receivables from associated and related companies	8 399	11 951	9 534	13 566
Allowances for doubtful trade receivables	(204)	(290)	(188)	(267)
TOTAL:	**18 999**	**27 033**	**19 080**	**27 148**

The trade receivables are non-interest bearing and from foreign companies are generally on 91 days' terms, while for the local companies - on 77 days' terms.

Receivables from associated and other related companies as of 31 December 2013 may be specified as follows:

	31.12.2013		31.12.2012	
Company	LVL '000	EUR '000	LVL '000	EUR '000
SIA "Olmafarm"	135	192	128	182
SIA "Olmafarm enerģija"	180	256	172	245
SIA "Vega MS"	-	-	-	-
SIA "Aroma"	78	111	46	65
OOO "Olfa"	7 926	11 278	9 104	12 954
SIA "Carbochem"	77	110	77	110
SIA "Olfa Press"	3	4	6	9
SIA "Lano Servis"	-	-	1	1
Allowances for doubtful receivables	(63)	(90)	(62)	(88)
TOTAL:	**8 336**	**11 861**	**9 472**	**13 477**

OOO Olfa is the only distributor of the Group's products in Ukraine. Receivables from the related party OOO Olfa are non-interest bearing, LVL 1.85 million (EUR 2.64 million) is factorized (see also note Related parties disclosures and Events after the reporting yearend). Receivables from the related party OOO Olfa are on 240 days' term (see also Note 29).

For associate accounting principles please also see note Related parties disclosures.

Trade receivables and receivables from the associated and related companies past due but not impaired as at 31 December 2013 may be specified as follows:

		Total	Neither past due nor	Past due but not impaired, days				
				< 30	30-60	60-90	90-120	> 120
2012	**LVL'000**	19 080	18 122	189	347	58	207	157
2013	**LVL'000**	18 999	15 913	855	164	228	1 831	8
2012	**EUR'000**	27 148	25 785	269	494	83	295	223
2013	**EUR'000**	27 033	22 642	1 217	233	324	2 605	11

See Note 30 on credit risk and credit quality of trade receivables that are neither past due nor impaired.

	Individually impaired		Collectively impaired		Total	
	LVL '000	EUR '000	LVL '000	EUR '000	LVL '000	EUR '000
As at 01 January 2012	189	269	-	-	189	269
Charge for the year	37	53	-	-	37	53
Used amounts	(38)	(54)	-	-	(38)	(54)
As at 31 December 2012	188	267	-	-	188	267
Charge for the year	40	57	-	-	40	57
Used amounts	(24)	(34)	-	-	(24)	(34)
As at 31 December 2013	**204**	**290**	**-**	**-**	**204**	**290**

All provisions for impairment are assessed individually. No collective assessment has been carried out.

No collateral has been held by the Group to secure its receivables.

17. Other receivables

	31.12.2013		31.12.2012	
	LVL '000	EUR '000	LVL '000	EUR '000
VAT receivable	240	341	174	248
Accrued receivables	224	319	22	31
Short term loans	175	249	113	161
Claim in accordance with court decision*	104	148	104	148
Advances paid for representative office expense	129	184	45	64
Provisions for advances to employees and other receivables	(128)	(182)	(158)	(225)
Other receivables	551	784	190	271
TOTAL:	**1 295**	**1 843**	**490**	**697**

Other receivables do not include any overdue amounts. Average turnover of these receivables is one month.

*Effective court decision in case *I.Maligina against AS OlainFarm* in favour of AS OlainFarm to claim amount paid to bailiff. In prior periods the accrual was made on amount paid to bailiff.

18. Current loans to management and employees

	31.12.2013		31.12.2012	
	LVL '000	EUR '000	LVL '000	EUR '000
Loan to Valērijs Maligins (Chairman of Board)	1 449	2 062	694	987
Other short term loans to employees	79	112	74	105
TOTAL	1 528	2 174	768	1 093

Current loans to the management comprise the loans to the management and related accumulated interest. The average interest rate on these loans is 5.5 % per annum.

19. Prepaid expense

	31.12.2013		31.12.2012	
	LVL '000	EUR '000	LVL '000	EUR '000
Maintenance of IT systems	32	46	20	28
Insurance payments	25	36	20	28
Prepaid business trips	8	11	79	112
Prepaid distribution expense	-	-	24	34
Information and Consultation expenses	-	-	12	17
Other prepaid expense	71	101	9	13
TOTAL:	**136**	**194**	**164**	**233**

20. Cash and short term deposits

	31.12.2013		31.12.2012	
	LVL '000	EUR '000	LVL '000	EUR '000
Cash at banks and on hand	1 424	2 026	1 742	2 479
Restricted cash	50	71	50	71
	1 474	2 097	1 792	2 550

Cash at banks earns interest at average of 0.25% based on the bank account service agreement.

Restricted cash is the amount of money withheld by SEB bank as deposit according to the agreement with the Latvian Investment Agency. See Note 27.

	31.12.2013		31.12.2012	
Cash by currency profile:	**Foreign currency'000**	**LVL'000**	**Foreign currency'000**	**LVL'000**
LVL		335		738
EUR	606	426	575	404
RUB	39 423	615	27 759	483
USD	190	98	315	167
TOTAL:		**1 474**		**1 792**

21. Share capital

The share capital of the Parent Company on 31/12/2013 is LVL 14 085 078 (31/12/2012: LVL 14 085 078) and consists of 14 085 078 (31/12/2012: 14 085 078) shares. The par value of each share is LVL 1.

All 14 085 078 shares are ordinary publicly traded dematerialized voting shares to the bearer. All of the shares have been paid for.

22. Loans from credit institutions

					31.12.2013		31.12.2012	
	Amount		Interest rate (%) as at 31/12/ 2013	Maturity	LVL '000	EUR '000	LVL '000	EUR '000
Loan from AS SEB banka	301 500	EUR	EURIBOR (3m.)+1,8%	20.09.2017	70	100	-	-
Loan from AS SEB banka	96 000	EUR	EURIBOR (3m.)+3,2%	01.09.2015	19	28	-	-
Loan from AS SEB banka	250 000	LVL	RIGIBOR (3m.)+3%	13.11.2015	124	176	-	-
Loan from AS SEB banka	3 000 000	LVL	RIGIBOR (3m.)+1,2%	07.06.2015	1 927	2 742	-	-
Loan from AS SEB banka	12 490 000	EUR	EURIBOR (3m.)+1,1%	01.05.2015	4 768	6 784	-	-
Loan from AS SEB banka	7 011 574	EUR	EURIBOR (3m.)+1,2%	29.09.2014	-	-	944	1 343
TOTAL:					**6 909**	**9 831**	**944**	**1 343**
Current:								
Loan from AS SEB banka	301 500	EUR	EURIBOR (3m.)+1,8%	20.09.2017	25	36	-	-
Loan from AS SEB banka	96 000	EUR	EURIBOR (3m.)+3,2%	01.09.2015	25	36	-	-
Loan from AS SEB banka	250 000	LVL	RIGIBOR (3m.)+3%	13.11.2015	108	154	-	-
Loan from AS SEB banka	12 490 000	EUR	EURIBOR (3m.)+1.1%	01.05.2015	1 574	2 240	3 917	5 573
Loan from AS SEB banka	7 011 574	EUR	EURIBOR (3m.)+1,2%	29.09.2014	1 048	1 491	1 258	1 790
Credit line from AS SEB banka	1 500 000	LVL	RIGIBOR (3m.)+1,1%	01.08.2014	1 454	2 069	830	1 181
Credit line from AS SEB banka	200 000	LVL	RIGIBOR (3m.)+1,2%	13.01.2014	101	144	123	175
Credit line from AS SEB banka	500 000	LVL	RIGIBOR (3m.)+1,6%	24.09.2014	493	701	-	-
TOTAL:					**4 829**	**6 871**	**6 128**	**8 719**

22. Loans from credit institutions (cont'd)

Interest is usually revised on a quarterly basis.

As at 31 December 2013 all the non-current and current assets are pledged as a security for the loans received. The pledge agreements are registered with the Commercial Pledge Registry.

The Parent Company's loan agreements with AS SEB bank contain several covenants, which are to be fulfilled, and a report submitted to the bank on a quarterly basis. As at 31 December 2013, the parent Company was compliant with financial covenants imposed by AS SEB Banka.

23. Finance lease liabilities

	31.12.2013				31.12.2012			
	LVL '000		EUR '000		LVL '000		EUR '000	
	Non-current	Current	Non-current	Current	Non-current	Current	Non-current	Current
Finance lease liabilities to SIA SEB Unilīzings, EUR	97	75	139	107	18	24	26	35
Finance lease liabilities to SIA SEB Unilīzings, LVL	14	6	21	9	21	6	30	9
Finance lease liabilities to UniCredit Bank, EUR	9	6	13	8	-	-	-	-
Finance lease liabilities to UniCredit Bank, EUR	8	3	12	4	-	-	-	-
Finance lease liabilities to UniCredit Bank, EUR	3	2	4	3	-	-	-	-
Finance lease liabilities to UniCredit Bank, EUR	7	26	10	37	-	-	-	-
Finance lease liabilities to SIA Parex Līzings, EUR	2	5	3	7	-	-	-	-
TOTAL:	**141**	**123**	**201**	**175**	**39**	**31**	**55**	**44**

The interest rate on the finance leases ranges from 1.93 % to 2.07%. The interest rate is normally revised quarterly throughout the financial year. The net carrying amount of the property, plant and equipment held under the finance lease is disclosed in Note 13.

Future minimum lease payments for the above finance leases can be specified as follows:

	31.12.2013				31.12.2012			
	Minimum payments	Present value of payments	Minimum payments	Present value of payments	Minimum payments	Present value of payments	Minimum payments	Present value of payments
	LVL '000		EUR '000		LVL '000		EUR '000	
Within one year	133	123	189	175	32	31	45	44
Between one and five years	153	141	218	201	39	39	55	55
Total minimum lease payments	286	264	407	376	72	70	102	99
Less amounts representing finance charges	(22)	-	(31)	-	(2)	-	(3)	-
Present value of minimum lease payments	**264**	**264**	**376**	**376**	**70**	**70**	**99**	**99**

24. Taxes payable

	31.12.2013		31.12.2012	
	LVL '000	EUR '000	LVL '000	EUR '000
Corporate income tax	-	-	(503)	(716)
Statutory social insurance contributions	(262)	(373)	(353)	(502)
Personal income tax	(197)	(280)	(145)	(206)
Natural resource tax	-	-	(7)	(10)
Company vehicle tax	(2)	(3)	(2)	(3)
TOTAL:	**(461)**	**(656)**	**(1 010)**	**(1 437)**

25. Accrued liabilities

	31.12.2013		31.12.2012	
	LVL '000	EUR '000	LVL '000	EUR '000
Vacation pay reserve	558	794	394	561
Accruals for electricity and gas	107	152	118	168
Other accrued liabilities	371	528	167	238
TOTAL:	**1 036**	**1 474**	**679**	**966**

26. Trade and other payables

	31.12.2013		31.12.2012	
	LVL '000	EUR '000	LVL '000	EUR '000
Trade and other payables	7 445	10 593	3 031	4 313
Wages and salaries	569	810	455	647
Other payables	14	20	60	85
TOTAL:	**8 028**	**11 422**	**3 546**	**5 046**

Terms and conditions of the above liabilities:

- trade payables are non-interest bearing and are normally settled on 36 day terms;
- wages and salaries are non-interest bearing and have an average term of one month;
- other payables are non-interest bearing and have an average term of one month.

27. Deferred income

	31.12.2013		31.12.2012	
	LVL '000	EUR '000	LVL '000	EUR '000
Deferred income related to EU project	489	696	252	359
Tours bought for tourism services	9	13	36	51
TOTAL:	**498**	**709**	**288**	**410**
Short term deferred income	**122**	**174**	**120**	**171**
Long term deferred income	**376**	**535**	**168**	**239**

Deferred income related to EU projects represents EU financing for 3 projects that are closed during reporting year. Long term investments acquired and generated during the projects are recognised as property, plant and equipment and are placed in operation. EU financing received covers in average 36.8% from total investment value under the projects.

Movement of the granted EU funds during the financial year of 2013:

	Amount granted	Amount used	Deferred government grant income
2013 LVL'000	669	180	489
2012 LVL'000	335	83	252
2013 EUR'000	952	256	696
2012 EUR'000	477	118	359

28. Commitments and contingencies

Operating lease

The Group has entered into commercial leases on certain motor vehicles. These leases have an average life of average 3 years with no renewal option included in the contracts.

Future minimum rentals payable under non-cancellable operating leases as at 31 December 2013 are as follows:

	31.12.2013		31.12.2012.	
	LVL '000	EUR '000	LVL '000	EUR '000
Within one year	71	101	69	98
After one year but not more than five years	66	94	41	58
TOTAL:	**137**	**195**	**110**	**157**

As at 31 December 2013, the Group has an issued warranty to the SEB bank from 23 April 2012 in the amount of 50 000 LVL in relation to the agreement with the Latvian Investment and Development Agency (LIDA) in order to secure the agreement fulfilment. The warranty maturity date is 2 April 2014. The warranty is secured with restricted cash (deposit), mentioned in the Note 20.

29. Related party disclosures

Related party	Type of services		Goods and services received from related parties, LVL '000	Goods and services received from related parties, EUR '000	Goods and services delivered to/ Loans issued to related parties, LVL '000	Goods and services delivered to/ Loans issued to related parties, EUR '000	Amounts owed by related parties (gross), LVL '000	Amounts owed by related parties (gross), EUR '000	Amounts owed to related parties, LVL '000	Amounts owed to related parties, EUR '000
1. Associated entities										
OLAINFARM ENERĢIJA SIA	The loan,services, energy	2012	16	22	122	174	172	245	16	22
		2013	374	532	51	72	180	256	107	152
	TOTAL:	**2012**	**16**	**22**	**122**	**174**	**172**	**245**	**16**	**22**
	TOTAL:	**2013**	**374**	**532**	**51**	**72**	**180**	**256**	**107**	**152**
2. Director's loan										
V. Maligins (shareholder)	The loan	2012	-	-	728	1 035	728	1 035	-	-
		2013	-	-	1 478	2 104	1 481	2 108	-	-
	TOTAL:	**2012**	**-**	**-**	**728**	**1 035**	**728**	**1 035**	**-**	**-**
	TOTAL:	**2013**	**-**	**-**	**1 478**	**2 104**	**1 481**	**2 108**	**-**	**-**
3.Entity with significant influence over the Group										
SIA Olmafarm (shareholder)	The loan and finished goods sale	2012	-	-	1	1	128	183	-	-
		2013	-	-	6	9	135	191	-	-
	TOTAL:	**2012**	**-**	**-**	**1**	**1**	**128**	**183**	**-**	**-**
	TOTAL:	**2013**	**-**	**-**	**6**	**9**	**135**	**191**	**-**	**-**
4. Key management personnel and Other Related companies										
SIA Vega MS (V. Maligins share 60%)	Security services, manufacture of windows	2012	358	509	-	-	-	-	5	8
		2013	480	684	-	-	-	-	3	4
SIA Aroma (V.Maligins share 75%)	Loan and Lease of premises	2012	-	-	36	51	46	65	-	-
		2013	9	12	40	58	78	111	3	5
Lano Serviss SIA (V.Maligins share 25.04%)	Drycleaner's services	2012	19	27	7	11	1	1	2	3
		2013	19	27	6	9	-	1	2	2
SIA Carbochem (V.Maligins share 50%)	Intermediary on sale of chemical products,	2012	-	-	-	-	77	109	-	-
		2013	-	-	-	-	77	109	-	-
SIA OLFA Press (V. Maligins share 45%)	Printing services	2012	810	1 153	26	37	6	8	163	231
		2013	877	1 248	22	31	3	4	209	297
Olfa OOO (V. Maligin's share 51%, J.Dudko's share 49%)	Finished good sale	2012	-	-	13 668	19 448	9 104	12 954	-	-
		2013	-	-	7 551	10 744	7 926	11 278	-	-
	TOTAL:	**2012**	**1 187**	**1 689**	**13 737**	**19 547**	**9 234**	**13 136**	**170**	**242**
	TOTAL:	**2013**	**1 385**	**1 971**	**7 619**	**10 841**	**8 084**	**11 503**	**217**	**308**

Shareholders

SIA Olmafarm is 42.56% (2012: 42.56%) shareholder of the Parent Company. The sole shareholder of SIA Olmafarm and 27.13% (2012: 29.24%) shareholder of the Parent Company is Valērijs Maligins.

Associates

The Group has 50% (2012:50%) equity interest with significant influence over but without control or joint control over the financial and operating policy decisions in SIA OlainFarm Enerģija whose principal activity is energy cogeneration.

Other equity interests

The Group has insignificant equity interests in SIA Pharma and Chemistry Centre of Latvia, SIA NKC, SIA VBBKC, SAI Quinta Biotech, SIA Partikas uzņēmumu neatkarīgais kompetences centrs, whose principal activities are research and development management and government grants attraction.

29. Related parties disclosures (cont'd)

Terms and conditions of transactions with related parties

As of 31 December 2013 the equity of OOO Olfa was negative amounting to LVL 4.2 million (EUR 6.0 million) (31.12.2012: LVL (4.1) million, (EUR (5.9) million)) and the company had the loss for the year amounting to LVL 342 thousand, EUR 486 thousand (2012: LVL (648) thousand (EUR (925) thousand)). To assure that OOO Olfa receivable is recoverable the Group has signed an international factoring agreement without recourse rights. According to the factoring agreement AS OlainFarm will have a right to settle the receivable outstanding as of the agreement day and all future receivables from OOO Olfa. The factoring is provided by AS Trasta Komercbanka. In respect to this agreement the receivable from OOO Olfa as of 31.12.2013 amounting to LVL 1.85 million or EUR 2.64 million (31.12.2012: LVL 6.7 million or EUR 9.6 million) was pledged in the favour of AS Trasta Komercbanka. After the year end the pledged amount is increased as explained in the note Events after the reporting year.

Outstanding balances at the year-end are unsecured and interest free (except for the loan to Valērijs Maligins), and are settled in cash. Unsecured loans to Valērijs Maligins have interest rate 5.5 % per annum with repayment term less than one year.

In 2009, the Group established an allowance for a receivable from the related party SIA Carbochem in the amount of LVL 62 thsd (EUR 88 thsd). No allowances for any other receivables from the related parties have been made. The Group assesses the receivables from the related parties each financial year through examining the financial position of the respective related party and the market in which the related party operates.

Information about subsidiaries

The consolidated financial statements of the Group include financial statements of the following subsidiaries:

Subsidiary	Equity interest acquisition date	Principal activity	Country of incorporation	% equity interest 31.12.2013	% equity interest 31.12.2012
Ozols JDR	18.10.2010	Manufacture of furniture	Latvia	100	100
SIA JUKO 99	28.10.2011	Pharmacy	Latvia	100	100
Latvijas Aptieka	02.11.2011	Pharmacy	Latvia	100	100
Lege Artis Rīga	01.12.2011	Pharmacy	Latvia	100	100
Veritas-Farm	06.12.2011	Pharmacy	Latvia	100	100
Inula Farma	21.12.2011	Pharmacy	Latvia	100	100
Vita Plus Aptieka	22.12.2011	Pharmacy	Latvia	100	100
Olainfarm Iljač Ve Tibbi Urjunleri Sanaji Ve Tidžaret Limited Širketi	07.02.2012	Marketing	Turkey	99	99
Teriaks	09.02.2012	Pharmacy	Latvia	100	100
Aptieka Rudens 10	24.05.2012	Pharmacy	Latvia	100	100
Rudens Laiks	24.05.2012	Pharmacy	Latvia	100	100
Esplanāde Farm	17.06.2012	Pharmacy	Latvia	100	100
First Class Lounge	23.07.2012	Travel services	Latvia	100	100
Elpa Aptiekas	11.02.2013	Pharmacy	Latvia	100	-
Baltā aptieka I.P.I.	05.03.2013	Pharmacy	Latvia	100	-
Daugavkrasta Farmācija	18.03.2013	Pharmacy	Latvia	100	-
Mana aptieka	10.04.2013	Pharmacy	Latvia	100	-
Trīsdesmit seši un seši	16.04.2013	Pharmacy	Latvia	100	-
Jaunjelgavas aptieka	21.05.2013	Pharmacy	Latvia	100	-
SILVANOLS	31.05.2013	Production	Latvia	70.88	-
Priekules aptieka	29.10.2013	Pharmacy	Latvia	100	-
Traumu Aptieka	12.11.2013	Pharmacy	Latvia	100	-
Sabiedrības „ARS" Aptieka	25.11.2013	Pharmacy	Latvia	100	-

30. Segment information

For management purposes, the Group is organized into business units based on its products. These financial statements provide information on five operating segments (major business units):

- The finished-form medicine segment represents tablets, capsules, ampoules and sachets, namely, the products ready for final consumption by end-users.
- The chemicals segment comprises the sales of chemicals to the Group's clients for further processing, eventually into finished form medicines. Major part of the chemicals is used to produce finished-form medicine within the Group.
- The pharmacy wholesale comprises the sales of medicine to retailers.
- The pharmacy retail segment comprises the sales of medicine through the pharmacy chain of the Group.
- Subsidiary Silvanols is evaluated as separate segment.

Transfer prices between operating segments are on arm's length basis in a manner similar to transactions with third parties. Transfer prices of chemicals between operating segments within one legal entity for segment reporting purposes only are evaluated with S&P Chemical industry entities average mark-up of 28%. Assets used by more than one segment are allocated proportionally on cost or revenue basis depending on nature of the asset. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated mainly based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

Unallocated information relates primarily to the matters managed on a Group level, such as Group level financing related activities (including major part of finance result, loans, cash, payables), corporate taxation, Group management related assets, minor supplemental business subsidiaries etc.

Inter-segment revenues and costs as well as intercompany assets and liabilities are eliminated on consolidation.

(thsnd LVL)		Finished form medicine	Chemicals	Pharmacy wholesale	Pharmacy retail	Silvanols	Total segments	Unallocated and eliminated	Consolidated
Assets									
	31.12.2013	32 499	9 762	1 826	12 091	3 170	59 348	7 999	67 347
	31.12.2012	30 773	6 868	921	7 300	-	45 862	4 200	50 062
Liabilities									
	31.12.2013	4 484	791	1 344	3 334	1 247	11 200	12 584	23 784
	31.12.2012	1 558	652	217	2 141	-	4 568	9 423	13 991
Revenue									
External customers									
	2013	39 672	3 550	818	9 716	1 032	54 788	-	54 788
	2012	41 615	3 808	918	6 494	-	52 835	-	52 835
Inter-segment									
	2013	186	6 092	3 044	-	78	9 400	(9 400)	-
	2012	137	6 460	645	-	-	7 242	(7 242)	-
Total revenue									
	2013	39 858	9 642	3 862	9 716	1 110	64 188	(9 400)	54 788
	2012	41 752	10 268	1 563	6 494	-	60 077	(7 242)	52 835
Segment profit / (loss)									
	2013	10 429	1 863	233	1 552	(168)	13 909	(3 451)	10 458
	2012	12 075	1 060	703	(140)	-	13 698	(1 966)	11 732

30. Segment information (cont'd)

(thsnd EUR)	Finished form medicine	Chemicals	Pharmacy wholesale	Pharmacy retail	Silvanols	Total segments	Unallocated and eliminated	Consolidated
Assets								
31.12.2013	46 242	13 890	2 598	17 204	4 510	84 444	11 382	95 826
31.12.2012	43 786	9 772	1 310	10 387	-	65 255	5 976	71 231
Liabilities								
31.12.2013	6 380	1 125	1 912	4 744	1 774	15 935	17 905	33 840
31.12.2012	2 217	928	309	3 046	-	6 500	13 408	19 908
Revenue								
External customers								
2013	56 448	5 051	1 164	13 825	1 468	77 956	-	77 956
2012	59 213	5 418	1 306	9 240	-	75 177	-	75 177
Inter-segment								
2013	265	8 668	4 331	-	111	13 375	(13 375)	-
2012	195	9 192	918	-	-	10 305	(10 305)	-
Total revenue								
2013	56 713	13 719	5 495	13 825	1 579	91 331	(13 375)	77 956
2012	59 408	14 610	2 224	9 240	-	85 482	(10 305)	75 177
Segment profit / (loss)								
2013	14 839	2 651	332	2 208	(239)	19 791	(4 910)	14 881
2012	17 181	1 508	1 000	(199)	-	19 490	(2 797)	16 693

Reconciliation of profit	2013	2013	2012	2012
	LVL'000	EUR'000	LVL'000	EUR'000
Segment profit	**13 908**	**19 789**	**13 698**	**19 490**
Unallocated financial income	482	686	669	952
Unallocated financial expenses	(1 080)	(1 537)	(758)	(1 079)
Other unallocated income and expense	(775)	(1 103)	(112)	(159)
Inter-segment elimination	(2 078)	(2 957)	(1 765)	(2 511)
Profit before tax	**10 458**	**14 878**	**11 732**	**16 693**

Reconciliation of assets	2013	2013	2012	2012
	LVL'000	EUR'000	LVL'000	EUR'000
Segment operating assets	**59 348**	**84 445**	**45 862**	**65 256**
Unallocated long term assets	4 462	6 349	1 928	2 743
Unallocated short term assets	2 320	3 301	886	1 261
Cash managed on group level	1 217	1 732	1 386	1 972
Total assets	**67 348**	**95 828**	**50 063**	**71 231**

Reconciliation of Liabilities	2013	2013	2012	2012
	LVL'000	EUR'000	LVL'000	EUR'000
Segment operating liabilities	**11 200**	**15 936**	**4 569**	**6 501**
Deferred tax liability	659	938	544	774
Interest bearing loans and borrowings	11 158	15 876	6 966	9 912
Current tax liabilities	236	336	958	1 363
Other unallocated liabilities and eliminations	531	756	955	1 359
Total liabilities	**23 783**	**33 841**	**13 993**	**19 909**

Information on geographical segments information

The major part of the Group's assets (approx. 99%) is located in Latvia. Information on sales by geographical segments is provided in Note 4.

31. Financial risk management

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

Financial risks

The main financial risks arising from the Group's financial instruments are foreign currency risk, interest rate risk, liquidity risk and credit risk. The Group's management oversees the management of these risks.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign exchange rates. The Group's exposure to the risk of changes in the foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's entities' functional currency). Lats are pegged to euro as of 1 January 2005 at a rate of 0.702804 lats per one euro. As of 1 January 2014 the monetary unit of the Republic of Latvia is euro – opening balance as of this date as well as comparative historical information is translated to euro at fixed exchange rate of 0.702804 lats per one euro. Therefore, for evaluation of foreign currency risk as of 31 December 2013, the LVL and EUR currencies are risk free and disclosed together.

A significant part of the Group's revenues is derived in Latvian lats and Euros; the major part of expenses is in Latvian lats. The Group has no formal policy for foreign currency risk management. Trade receivables positions potentially open to currency risks are managed though pricing policies.

The Group's financial assets and liabilities, which are exposed to the foreign currency risk, comprise cash, trade and other receivables, trade and other payables, as well as current and non-current loans and borrowings. The Group is mainly exposed to the foreign currency risk of US dollar (USD) and Russian roubles (RUB). The Group's currency risk as at 31 December 2013 may be specified as follows:

		USD	RUB	Other currencies	LVL and EUR currencies	Total LVL	Total EUR
		LVL'000	LVL'000	LVL'000	LVL'000	LVL'000	EUR'000
Trade receivables	2013	1 073	6 228	6	12 012	19 320	27 490
	2012	613	6 121	-	12 325	19 059	27 119
Loans receivable	2013	63	-	-	1 465	1 528	2 174
	2012	29	-	-	739	768	1 093
Other receivables	2013	34	-	-	1 667	1 701	2 420
	2012	62	3	17	410	492	700
Cash	2013	97	615	-	720	1 432	2 038
	2012	167	483	-	1 142	1 792	2 550
Total financial assets, LVL'000	2013	1 267	6 843	6	15 865	23 981	
	2012	871	6 608	17	14 616	22 112	
Total financial assets, EUR'000	2013	1 802	9 737	9	22 574		34 122
	2012	1 239	9 402	24	20 796		31 462
Loans and borrowings	2013	15	-	-	11 987	12 002	17 077
	2012	-	-	-	7 142	7 142	10 162
Payables and other liabilities	2013	729	82	15	7 887	8 713	12 397
	2012	196	80	10	4 294	4 579	6 515
Total financial liabilities, LVL'000	2013	744	82	15	19 874	20 715	
	2012	196	80	10	11 436	11 721	
Total financial liabilities, EUR'000	2013	1 059	117	21	28 278		29 475
	2012	278	113	14	16 272		16 677
Net asset / (liabilities), LVL'000	2013	**522**	**6 761**	**(9)**	**(4 009)**	**3 266**	
	2012	**675**	**6 528**	**7**	**3 180**	**10 391**	
Net asset / (liabilities), EUR'000	2013	**743**	**9 620**	**(13)**	**(5 704)**		**4 647**
	2012	**961**	**9 289**	**10**	**4 525**		**14 785**

31. Financial risk management (cont'd)

The Group has evaluated potential effect on profit before tax on the USD and RUB currency exchange rate changes for the year end closing balances in the table below. Effect on equity would include effect on profit adjusted by corporate income tax 15%.

Currency exchange rate change		**Potential net effect from USD exchange rate change**	**Potential net effect from RUB exchange rate change**	**Total potential net effect**	
		LVL'000	LVL'000	LVL'000	EUR'000
+10%	2013	(47)	(615)	(662)	(942)
	2012	(61)	(593)	(655)	(932)
+5%	2013	(25)	(322)	(347)	(493)
	2012	(32)	(311)	(343)	(488)
-2.50%	2013	13	173	187	266
	2012	17	167	185	263

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Group's exposure to the risk of changes in the market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Group is exposed to an interest rate risk mainly through its current and non-current borrowings. The interest rate payable on the Group's borrowings is disclosed in Notes 21 and 22.

The Group does not have any policies for managing the interest rate risks.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on mainly EURIBOR floating rate borrowings). There is no impact on the Group's equity, except for the effect on the current year result.

Year	EURIBOR change	Effect on profit before tax	
		LVL'000	EUR'000
2013	+1.0%	(97)	(138)
	-0.5%	48	69
2012	+1.0%	(76)	(108)
	-0.5%	38	54

Liquidity risk

The Group manages its liquidity risk by arranging an adequate amount of committed credit facilities with banks, planning of terms of payment of trade payables, developing and analysing future cash flows comprising both the existing and planned loans and interest on such loans.

31. Financial risk management (cont'd)

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2013 based on contractual undiscounted payments.

		On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
		LVL'000	LVL'000	LVL'000	LVL'000	LVL'000	**LVL'000**
Interest bearing loans and borrowings	2013	-	740	4 249	6 965		**11 954**
	2012	-	265	942	6 105	-	**7 312**
Other finance liabilities	2013	-	37	113	131		**280**
	2012	-	16	24	5	-	**45**
Trade and other payables	2013	3 245	5 120	236	-	-	**8 601**
	2012	717	2 894	964	-	-	**4 575**
TOTAL	**2013**	**3 245**	**5 897**	**4 598**	**7 096**	**-**	**20 836**
	2012	**717**	**3 175**	**1 930**	**6 110**	**-**	**11 932**

		On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
		EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	**EUR'000**
Interest bearing loans and borrowings	2013	-	1 052	6 046	9 910	-	**17 008**
	2012	-	377	1 340	8 687	-	**10 404**
Other finance liabilities	2013	-	53	160	186	-	**399**
	2012	-	23	34	7	-	**64**
Trade and other payables	2013	4 617	7 285	336	-	-	**12 238**
	2012	1 020	4 118	1 371	-	-	**6 509**
TOTAL	**2013**	**4 617**	**8 390**	**6 542**	**10 096**	**-**	**29 645**
	2012	**1 020**	**4 518**	**2 745**	**8 694**	**-**	**16 977**

Credit risk

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

As of 31 December 2013 credit risk concentration of trade receivables was 41% (2012: 48%). This credit risk concentration is represented by the receivable from related party OOO Olfa.

Capital management

The primary objective of the Group's capital management is to ensure that the Group maintains a strong credit rating and healthy capital ratios to support its business and increase the shareholder value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions.

The Group does not have a capital management policy. From time to time, the management controls capital using a gearing ratio as following:

	31.12.2013		31.12.2012	
	LVL'000	EUR'000	LVL'000	EUR'000
Interest bearing loans and other financial liabilities	12 002	17 077	7 142	10 162
Trade and other payables	8 636	12 288	4 629	6 586
Less: cash and cash equivalents	(1 474)	(2 097)	(1 792)	(2 550)
Net debt	19 164	27 268	9 979	14 199
Equity	43 820	62 350	36 070	51 323
Total capital and net debt	**62 984**	**89 618**	**46 049**	**65 522**
Gearing ratio	30%	30%	22%	22%

Gearing ratio is calculated as net debt divided by total capital plus net debt. Net debt comprises interest bearing loans and borrowings, trade and other payables, less cash and cash equivalents, excluding discontinued operations. Capital includes equity attributable to the equity holders of the parent.

At 31 December 2013, the Group met all capital requirements set by the credit institutions. According to legal requirements, the Board must ask the shareholders' meeting to address the going concern issue if the equity falls below 50% of the total capital.

31. Financial risk management (cont'd)

Fair value

The fair value of the financial assets and liabilities represent the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.
The following table provides the fair value measurement hierarchy of the Group's assets and liabilities at 31 December 2013 valuation date.

		Fair value measurement using		
Assets and liabilities for which FV is disclosed	Total at fair value	quoted prices in active markets (level 1)	significant observable inputs (level 2)	significant unobservable inputs (level 3)
	LVL'000	LVL'000	LVL'000	LVL'000
Loans to management and employees	1 528			1 528
Finance lease obligations	264		264	
Floating rate borrowings	11 738		11 738	
	EUR'000	EUR'000	EUR'000	EUR'000
Loans to management and employees	2 174			2 174
Finance lease obligations	376		376	
Floating rate borrowings	16 702		16 702	

The following methods and assumptions were used to estimate the fair values:

- Cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- The fair value of the loans and borrowings has been calculated by discounting the expected future cash flows at prevailing interest rates, which are based on Level 2 measurement. No material difference between book value and fair value has been recognised.

32. Standards issued but not yet effective

The Group has not applied the below disclosed standards and interpretations that have been issued as of the date of authorisation of these financial statements for issue, but which are not yet effective. The Group plans to adopt these standards and interpretations on their effectiveness date provided they are endorsed by the EU.

IFRS 10 Consolidated Financial Statements (effective for financial years beginning on or after 1 January 2014)

IFRS 10 establishes a single control model that applies to all entities, including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled and, therefore, are required to be consolidated by a parent. Examples of areas of significant judgment include evaluating de facto control, potential voting rights or whether a decision maker is acting as a principal or agent. IFRS 10 replaces the part of IAS 27 Consolidated and Separate Financial Statements related to consolidated financial statements and replaces SIC 12 Consolidation — Special Purpose Entities. The Group has not yet evaluated the impact of the implementation of this standard.

IFRS 11 Joint Arrangements (effective for financial years beginning on or after 1 January 2014)

IFRS 11 eliminates proportionate consolidation of jointly controlled entities. Under IFRS 11, jointly controlled entities, if classified as joint ventures (a newly defined term), must be accounted for using the equity method. Additionally, jointly controlled assets and operations are joint operations under IFRS 11, and the accounting for those arrangements will generally be consistent with today's accounting. That is, the entity will continue to recognize its relative share of assets, liabilities, revenues and expenses. The Group has not yet evaluated the impact of the implementation of this standard.

IFRS 12 Disclosures of Interests in Other Entities (effective for financial years beginning on or after 1 January 2014)

IFRS 12 combines the disclosure requirements for an entity's interests in subsidiaries, joint arrangements, investments in associates and structured entities into one comprehensive disclosure standard. A number of new disclosures also will be required such as disclosing the judgments made to determine control over another entity. The Group has not yet evaluated the impact of the implementation of this standard.

Amendments to IFRS 10, IFRS 11 and IFRS 12 – Transition Guidance (effective for financial years beginning on or after 1 January 2014)

These amendments clarify the transition guidance in IFRS 10 Consolidated Financial Statements and also provide additional transition relief in IFRS 10, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities. The Group will evaluate the impact of the implementation of these amendments together with implementation of respective standards.

Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment Entities (effective for financial years beginning on or after 1 January 2014)

The amendments apply to entities that qualify as investment entities. The amendments provide an exception to the consolidation requirements of IFRS 10 by requiring investment entities to measure their subsidiaries at fair value through statement of comprehensive income, rather than consolidate them. The implementation of this amendment will not have any impact on the financial statements of the Group, as the parent of the Group is not an investment entity.

32. Standards issued but not yet effective (cont'd)

IFRS 14 Regulatory Deferral Accounts (effective for financial years beginning on or after 1 January 2016, once endorsed by the EU)

It is an interim standard that provides first-time adopters of IFRS with relief from derecognizing rate-regulated assets and liabilities until a comprehensive project on accounting for such assets and liabilities is completed by the IASB. The implementation of this standard will not have any impact on the Group.

Amendments to IAS 19 Employee Benefits (effective for financial years beginning on or after 1 July 2014, once endorsed by the EU)

The amendments address accounting for the employee contributions to a defined benefit plan. Since the Group's employees do not make such contributions, the implementation of this amendment will not have any impact on the financial statements of the Group.

Amendment to IAS 27 Separate Financial Statements (effective for financial years beginning on or after 1 January 2014)

As a result of the new standards IFRS 10, IFRS 11 and IFRS 12 this standard was amended to contain accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. IAS 27 Separate Financial Statements requires an entity preparing separate financial statements to account for those investments at cost or in accordance with IFRS 9 Financial Instruments. The implementation of this amendment will not have any impact on the financial statements of the Group.

Amendments to IAS 28 Investments in Associates and Joint Ventures (effective for financial years beginning on or after 1 January 2014)

As a result of the new standards IFRS 10, IFRS 11 and IFRS 12 this standard was renamed and addresses the application of the equity method to investments in joint ventures in addition to associates. The implementation of this amendment will not have any impact on the financial statements of the Group.

Amendment to IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (effective for financial years beginning on or after 1 January 2014)

This amendment clarifies the meaning of "currently has a legally enforceable right to set-off" and also clarifies the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The Group has not yet evaluated the impact of the implementation of this amendment.

Amendment to IAS 36 Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets (effective for financial years beginning on or after 1 January 2014)

This amendment adds a few additional disclosure requirements about the fair value measurement when the recoverable amount is based on fair value less costs of disposal and removes an unintended consequence of IFRS 13 to IAS 36 disclosures. The amendment will not have any impact on the financial position or performance of the Group, however may result in additional disclosures.

Amendment to IAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (effective for financial years beginning on or after 1 January 2014)

The amendment provides relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendment will not have any impact on the financial position or performance of the Group, since it does not apply hedge accounting.

Improvements to IFRSs (effective for financial years beginning on or after 1 July 2014, once endorsed by the EU)

In December 2013 IASB issued omnibus of necessary, but non-urgent amendments to the following standards:

- IFRS 1 First-time adoption of IFRS;
- IFRS 2 Share-based Payment;
- IFRS 3 Business Combinations;
- IFRS 8 Operating Segments;
- IFRS 13 Fair value Measurement;
- IAS 16 Property, Plant and Equipment;
- IAS 24 Related Party Disclosures;
- IAS 38 Intangible Assets;
- IAS 40 Investment property.

The adoption of these amendments may result in changes to accounting policies or disclosures but will not have any impact on the financial position or performance of the Group.

IFRIC Interpretation 21: Levies (effective for financial years beginning on or after 1 January 2014, once endorsed by the EU)

This interpretation addresses the accounting for levies imposed by governments. Liability to pay a levy is recognized in the financial statements when the activity that triggers the payment of the levy occurs. The Group has not yet evaluated the impact of the implementation of this interpretation.

33. Events after the reporting year end

As of 1 January 2014 the monetary unit of the Republic of Latvia is euro – opening balance as of this date as well as comparative historical information is translated to euro at fixed exchange rate of 0.702804 lats per one euro.

In February 2014, Kazakh national currency the Tenge was devalued by 20%. Kazakhstan is an important sales market for Company's products, generating about 4% of consolidated sales. As this report is being prepared, company possesses no alarming information that would give any reason to expect a significant sales reduction in this country, however currency devaluation will inevitably cause certain loss of purchasing power of Kazakh people, which may leave, albeit small and short term impact on sales volumes to this country.

Subsequent to 31 December 2013, the economic and political uncertainty in Ukraine increased significantly. Furthermore, between 1 January 2014 and authorization of these financial statements, the Ukrainian Hryvnia devalued to major foreign currencies by approximately 30%, and the National Bank of Ukraine imposed certain restrictions on purchase of foreign currencies at the inter-bank market. International rating agencies have downgraded sovereign debt ratings for Ukraine. The combination of the above events has resulted in a deterioration of liquidity and much tighter credit conditions where credit is available. These and any further negative developments in Ukraine could adversely impact results and financial position of the Group in a manner not currently determinable. At 31 December 2013, the Group balance sheet exposures to Ukrainian risk amounted to approximately 9 104 thsd. LVL (12 954 thsd. EUR), consisting mainly of accounts receivable from OOO Olfa denominated in euro. OOO Olfa accounts receivable are mostly factorized, thus management believes they are fully recoverable (for additional information – see related party disclosures). Although some political and economic instability was clearly present in Ukraine since November 2013, and subsequently the tensions between Ukraine and Russia escalated in February and March 2014, as to the date of this report Group continues normal operations in Ukraine and its sales, compared to the similar period of 2013 are increasing.

On 11 April 2014 the Group has renovated an international factoring agreement without recourse rights. The factoring is provided by AS Trasta Komercbanka. Receivable from OOO Olfa amounting to LVL 5.5 million (EUR 7.8 million) are pledged in favour of AS Trasta Komercbanka as of agreement renovation date representing all on renovation date unpaid invoices issued by the end of reporting year (for additional information – see related party disclosures).

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