ROKIŠKIO SŪRIS AB
CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS, CONSOLIDATED ANNUAL REPORT AND INDEPENDENT AUDITOR'S REPORT
31 DECEMBER 2014

Translation note:

This version of the accompanying documents is a translation from the original, which was prepared in Lithuanian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the accompanying documents takes precedence over this translation.

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Independent Auditor's Report

To the shareholders of Rokiškio Sūris AB

Report on the financial statements

We have audited the accompanying stand-alone and consolidated financial statements of Rokiškio Sūris AB ("the Company") and its subsidiaries ("the Group") set out on pages 5 to 50, which comprise the stand-alone and consolidated balance sheets as of 31 December 2014 and the stand-alone and consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information ("the financial statements").

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company and the Group as of 31 December 2014, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

Furthermore, we have read the consolidated annual report for the year ended 31 December 2014 set out on pages 1 to 83 and have not noted any material inconsistencies between the financial information included in it and the audited financial statements for the year ended 31 December 2014.

On behalf of PricewaterhouseCoopers UAB

Rimvydas Jogėla
Partner
Auditor's Certificate No.000457

Vilnius, Republic of Lithuania
2 April 2015

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

Income statement

Group				Company	
2014	2013		Notes	2014	2013
860,613	861,355	Revenue	5	771,887	795,650
(794,311)	(756,095)	Cost of sales		(751,567)	(711,425)
66,302	105,260	**Gross profit**		20,320	84,225
(46,260)	(38,613)	Selling and marketing expenses	6	(32,920)	(26,984)
(23,097)	(33,866)	General and administrative expenses	7	(16,561)	(24,982)
13,993	24,007	Other income	8	16643	55,593
(9,422)	(20,200)	Other expenses	9	(9,511)	(20,195)
(2,203)	(361)	Other (losses)/gains	10	(1,683)	(361)
(687)	36,227	**Operating profit/(loss)**		(23,712)	67,296
(1,397)	(1,157)	Finance costs	12	(1,024)	(722)
(2,084)	35,070	**Profit/(loss) before income tax**		(24,736)	66,574
760	(2,285)	Income tax	13	3,582	(2,334)
(1,324)	32,785	**Profit/(loss) for the year**		(21,154)	64,240
		Profit/(loss) for the year attributable to:			
(1,324)	32,785	Owners of the Company		-	-
-	-	Non-controlling interest		-	-
(1,324)	32,785			-	-
(0.04)	0.93	**Basic and diluted earnings/(deficit) per share (in LTL per share)**	14	(0.6)	1.83

The notes on pages 11 to 50 are an integral part of these financial statements.
The financial statements on pages 5 to 50 have been approved for issue by the Board of Directors on 2 April 2015 and signed on their behalf by the Director and Chief Financial Officer.

Antanas Trumpa
Director

Antanas Kavaliauskas
Chief Finance Officer

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

Statement of comprehensive income

Group				Company	
2014	2013		Notes	2014	2013
(1,324)	32,785	**Profit/(loss) for the year**		(21,154)	64,240
		Other comprehensive income			
-	-	Gain on revaluation of property, plant and equipment	15		-
-	-	Deferred income tax on revaluation	18		-
-	-	**Other comprehensive income for the year**			
(1,324)	32,785	**Total comprehensive income/(expenses) for the year**		(21,154)	64,240
		Total comprehensive income/(expenses) for the year attributable:			
(1,324)	32,785	Owners of the Company			-
-	-	Non-controlling interest			-
(1,324)	32,785				-

Antanas Trumpa
Director

Antanas Kavaliauskas
Chief Finance Officer

The notes on pages 11 to 50 are an integral part of these financial statements.

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

Balance sheet

Group				Company	
At 31 December				At 31 December	
2014	2013		Notes	2014	2013
		ASSETS			
		Non-current assets			
136,458	148,158	Property, plant and equipment	15	91,385	100,508
524	1,023	Intangible assets	16	71	117
560	551	Investments in subsidiaries	17	27,641	28,341
5,359	2,684	Deferred income tax assets	18	5,146	2,612
34	1,962	Other receivables	21	-	1,928
8,059	42,781	Loans granted	19	6,491	39,772
150,994	197,159			130,734	173,278
		Current assets			
152,097	128,536	Inventories	20	144,407	119,110
47,470	34,636	Loans granted	19	42,564	31,204
121,265	129,732	Trade and other receivables	21	109,953	139,058
2,688	-	Prepaid income tax		2,688	-
11,483	21,527	Cash and cash equivalents	22	3,677	17,873
335,003	314,431			303,289	307,245
485,997	511,590	**Total assets**		434,023	480,523
		EQUITY			
		Attributable to owners of the Company			
35,868	35,868	Share capital	23	35,868	35,868
41,473	41,473	Share premium		41,473	41,473
40,287	40,287	Reserve for acquisition of treasury shares	25	40,287	40,287
(3,868)	(3,868)	Treasury shares	24	(3,868)	(3,868)
44,179	55,627	Other reserves	25	32,894	46,230
181,634	175,017	Retained earnings		157,495	168,820
339,573	344,404	**Total equity**		304,149	328,810
		LIABILITIES			
		Non-current liabilities			
-	-	Borrowings		-	-
6,171	8,809	Deferred income tax liability	18	4,493	6,847
2,691	3,805	Deferred income	27	1,291	1,949
8,862	12,614			5,784	8,796
		Current liabilities			
1,695	1,423	Income tax liabilities		-	1,643
54,831	82,187	Borrowings	26	54,831	82,187
1,123	1,307	Deferred income	27	658	795
79,913	69,655	Trade and other payables	28	68,601	58,292
137,562	154,572			124,090	142,917
146,424	167,186	**Total liabilities**		129,874	151,713
485,997	511,590	**Total equity and liabilities**		434,023	480,523

Antanas Trumpa
Director

Antanas Kavaliauskas
Chief Finance Officer

The notes on pages 11 to 50 are an integral part of these financial statements.

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

Company's statement of changes in equity

	Note	Share capital	Share premium	Reserve for acquisition of treasury shares	Treasury shares	Other reserves	Retained earnings	Total
Balance at 1 January 2013		**35,868**	**41,473**	**40,287**	**(3,868)**	**59,519**	**94,798**	**268,077**
Comprehensive income								
Profit for the year		-	-	-	-	-	64,240	64,240
Transfer to retained earnings (transfer of depreciation, net of deferred income tax)	25	-	-	-	-	(13,289)	13,289	-
Total comprehensive income for 2013		-	-	-	-	**(13,289)**	**77,529**	**64,240**
Transactions with owners								
Dividends relating to 2012	25	-	-	-	-	-	(3,507)	(3,507)
Total transactions with owners for 2013		-	-	-	-	-	**(3,507)**	**(3,507)**
Balance at 31 December 2013		**35,868**	**41,473**	**40,287**	**(3,868)**	**46,230**	**168,820**	**328,810**
Comprehensive income								
Profit (loss) for the year		-	-	-	-		(21,154)	(21,154)
Transfer to retained earnings (transfer of depreciation of revaluated assets and disposals of revaluated assets, net of deferred income tax)	25	-	-	-	-	(13,336)	13,336	
Total comprehensive income for 2014		-	-	-	-	**(13,336)**	**(7,818)**	**(21,154)**
Transactions with owners								
Dividends relating to 2013	25	-	-	-	-	-	(3,507)	(3,507)
Total transactions with owners for 2014		-	-	-	-	-	**(3,507)**	**(3,507)**
Balance at 31 December 2014		**35,868**	**41,473**	**40,287**	**(3,868)**	**32,894**	**157,495**	**304,149**

Antanas Trumpa
Director

Antanas Kavaliauskas
Chief Finance Officer

The notes on pages 11 to 50 are an integral part of these financial statements.

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

Group's statement of changes in equity

		Attributable to owners of the Company						
	Note	Share capital	Share premium	Reserve for acquisition of treasury shares	Treasury shares	Other reserves	Retained earnings	Total
Balance at 1 January 2013		35,868	41,473	40,287	(3,868)	71,201	130,176	315,137
Comprehensive income								
Profit for the year		-	-	-	-	-	32,785	32,785
Transfer to retained earnings (transfer of depreciation, net of deferred income tax)	25	-	-	-	-	(15,574)	15,574	-
Total comprehensive income for 2013		-	-	-	-	(15,574)	48,359	32,785
Transactions with owners								
Dividends relating to 2012	25	-	-	-	-	-	(3,518)	(3,518)
Total transactions with owners for 2013		-	-	-	-	-	(3,518)	(3,518)
Balance at 31 December 2013		35,868	41,473	40,287	(3,868)	55,627	175,017	344,404
Comprehensive income								
Profit (loss) for the year		-	-	-	-		(1,324)	(1,324)
Transfer to reserves						2,686	(2,686)	
Transfer to retained earnings (transfer of depreciation of revaluated assets and disposals of revaluated assets, net of deferred income tax)	25	-	-	-	-	(14,134)	14,134	
Total comprehensive income for 2014		-	-	-	-	(11,448)	10,124	(1,324)
Transactions with owners								
Dividends relating to 2013	25	-	-	-	-	-	(3,507)	(3,507)
Total transactions with owners for 2014		-	-	-	-	-	(3,507)	(3,507)
Balance at 31 December 2014		35,868	41,473	40,287	(3,868)	44,179	181,634	339,573

Antanas Trumpa
Director

Antanas Kavaliauskas
Chief Finance Officer

The notes on pages 11 to 50 are an integral part of these financial statements.

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

Statement of cash flows

Group 2014	Group 2013		Note	Company 2014	Company 2013
		Cash flows from operating activities			
40,059	38,205	Cash generated from/(used in) operations	32	26,735	(11,456)
(1,397)	(1,157)	Interest paid		(1,024)	(722)
(487)	(754)	Income tax paid		-	(115)
38,175	36,294	Net cash generated from/(used in) operating activities		25,711	(12,293)
		Cash flows from investing activities			
(22,008)	(39,246)	Purchases of property, plant and equipment	15	(17,143)	(20,670)
(4)	(108)	Purchases of intangible assets	16	(4)	(109)
(316)	-	Disposal of investments (net of cash disposed)	17	700	-
(1,827)	(7,404)	Loans granted to farmers and employees		(1,827)	(7,404)
(16,636)	(25,181)	Other loans granted		(16,637)	(20,181)
398	437	Proceeds from sale of property, plant and equipment	32	195	524
-	889	Government grants received	27	-	889
22,577	21,475	Other loan repayments received		22,577	15,999
-	5,909	Loan repayments from farmers and employees		-	5,918
2,979	2,891	Interest received		2,364	2,320
-	-	Dividends received	33	3,250	30,344
(14,837)	(40,338)	Net cash (used in)/generated from investing activities		(6,525)	7,630
		Cash flows from financing activities			
(3,507)	(3,518)	Dividends paid	25	(3,507)	(3,507)
578,301	553,217	Loans received		578,301	553,217
(608,176)	(530,157)	Repayments of borrowings		(608,176)	(530,157)
(33,382)	19,542	Net cash generated from financing activities		(33,382)	19,553
(10,044)	**15,498**	**Net (decrease)/increase in cash and cash equivalents**		**(14,196)**	**14,890**
21,527	6,029	Cash and cash equivalents at beginning of year	22	17,873	2,983
11,483	**21,527**	**Cash and cash equivalents at end of year**	22	**3,677**	**17,873**

Group and Company columns: Year ended 31 December.

Antanas Trumpa
Director

Antanas Kavaliauskas
Chief Finance Officer

The notes on pages 11 to 50 are an integral part of these financial statements.

Notes to the financial statements

1. General information

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

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

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

The consolidated group ("the Group") consists of the Company and its two branches, and five subsidiaries (2013: two branches, five subsidiaries and one joint venture). Information on the Group companies and branches is presented below:

	Operating as at 31 December				Shareholding of the Group (%) as at 31 December	
Branches	**2014**	**2013**		**Subsidiaries**	**2014**	**2013**
Utenos Pienas	Yes	Yes		Rokiškio Pienas UAB	100.00	100.00
Ukmergės Pieninė	Yes	Yes		Rokiškio Pieno Gamyba UAB	100.00	100.00
				KB Žalmargė	100.00	100.00
				Jekabpils Piena Kombinats SIA	100.00	100.00
				SIA Kaunata *	60.00	60.00
				Joint venture		
				Pieno Upės UAB	-	50.00

* These subsidiaries were not consolidated in the Group's financial statements as they were immaterial (see information below).

Kaunata SIA, company code 240300369, VAT payer's code: LV42403003695, address: S. Rogs, Kaunatas pag. Rezekne novads.
Results of operations for the year ended 31 December 2014 (unaudited) are as follows:
Total assets: EUR 347,283 (LTL 1,199,099);
Property, plant and equipment: EUR 43,701 (LTL 150,890);
Result of operations: EUR 20,924 (LTL 72,246).
Performance of activities of an associate entity: collection and realisation of milk. The company is the main supplier of raw milk to company Jekabpils Piena Kombinats SIA (subsidiary of Rokiškio Sūris AB).
Kaunata SIA was accounted for at cost.

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

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

The average number of the Company's employees during the year ended 31 December 2014 was 1,074 people (2013: 1,068). The average number of the Group's employees during the year ended 31 December 2014 was 1,665 (2013: 1,720).

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

2. Accounting policies

2.1 Basis of preparation

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

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

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

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

(a) Standards, amendments to standards and interpretations effective on or after 1 January 2014

- ***Offsetting financial assets and financial liabilities – Amendments to IAS 32***. The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement.

- ***IFRS 10, 'Consolidated financial statements'***. The standard replaces all of the guidance on control and consolidation in IAS 27, 'Consolidated and separate financial statements' and SIC-12, 'Consolidation – special purpose entities'. IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance.
- **IFRS 12, 'Disclosure of interest in other entities'**. This standard applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. IFRS 12 sets out the required disclosures for entities reporting under the two new standards: IFRS 10, 'Consolidated financial statements', and IFRS 11, 'Joint arrangements'. It replaces the disclosure requirements currently found in IAS 28 'Investments in associates'. IFRS 12 requires entities to disclose information that would help financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including (i) significant judgements and assumptions made in determining whether an entity controls, jointly controls, or significantly influences its interests in other entities, (ii) extended disclosures on share of non-controlling interests in group activities and cash flows, (iii) summarised financial information of subsidiaries with material non-controlling interests, and (iv) detailed disclosures of interests in unconsolidated structured entities.

- ***IAS 27 (revised 11), 'Separate financial statements'***. This Standard was changed and its objective is now to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The guidance on control and consolidated financial statements was replaced by IFRS 10, 'Consolidated financial statements.

(b) The following standards, their amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2014 but are not relevant to the Company's and the Group's operations:

- **IFRS 11, 'Joint arrangements'**. The standard replaces IAS 31, 'Interests in joint ventures' and SIC-13, 'Jointly controlled entities—non-monetary contributions by ventures'. Changes in the definitions have reduced the number of types of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures.

- **IAS 28 (revised 2011), 'Investments in associates and joint ventures'**. The standard was revised following the issue of IFRS 11 and it now includes the requirements for joint ventures, as well as associates, to be equity accounted.

- **Transition guidance amendments to IFRS 10, IFRS 11 and IFRS 12**. The amendments clarify the transition guidance in IFRS 10, 'Consolidated financial statements'. Entities adopting IFRS 10 should assess control at the first day of the annual period in which IFRS 10 is adopted, and if the consolidation conclusion under IFRS 10 differs from IAS 27 and SIC 12, the immediately preceding comparative period (that is, year 2012 for a calendar year-end entity that adopts IFRS 10 in 2013) is restated, unless impracticable. The amendments also provide additional transition relief in IFRS 10, IFRS 11, 'Joint arrangements', and IFRS 12, 'Disclosure of interests in other entities', by limiting the requirement to provide adjusted comparative information only for the immediately preceding comparative period. Further, the amendments will remove the requirement to present comparative information for disclosures related to unconsolidated structured entities for periods before IFRS 12 is first applied.

- **Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment entities**. The amendment introduced a definition of an investment entity as an entity that (i) obtains funds from investors for the purpose of providing them with investment management services, (ii) commits to its investors that its business purpose is to invest funds solely for capital appreciation , and (iii) measures and evaluates its investments on a fair value basis. An investment entity will be required to account for its subsidiaries at fair value through profit or loss, and to consolidate only those subsidiaries that provide services that are related to the entity's investment activities. IFRS 12 was amended to introduce new disclosures, including any significant judgements made in determining whether an entity is an investment entity and information about financial or other support to an unconsolidated subsidiary, whether intended or already provided to the subsidiary.

- **Recoverable amount disclosures for non-financial assets – Amendments to IAS 36.** The amendments remove the requirement to disclose the recoverable amount when a CGU contains goodwill or indefinite lived intangible assets but there has been no impairment.

- **Novation of derivatives and continuation of hedge accounting – Amendments to IAS 3**. The amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated (i.e parties have agreed to replace their original counterparty with a new one) to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met.

(c) The following new standards, amendments to existing standards and interpretations have been issued but are not yet effective and have not been early adopted by the Company and the Group:

IFRIC 21, 'Levies' (effective for annual periods beginning on or after 17 June 2014). The interpretation clarifies the accounting for an obligation to pay a levy that is not income tax. The obligating event that gives rise to a liability is the event identified by the legislation that triggers the obligation to pay the levy. The fact that an entity is economically compelled to continue operating in a future period, or prepares its financial statements under the going concern assumption, does not create an obligation. The same recognition principles apply in interim and annual financial statements. The application of the interpretation to liabilities arising from emissions trading schemes is optional. The Company is currently assessing the impact of the new interpretation on its financial statements.

Defined benefit plans: Employee contributions – Amendments to IAS 19 (effective for annual periods beginning on or after 1 February 2015). The amendment allows entities to recognise employee contributions as a reduction in the service cost in the period in which the related employee service is rendered, instead of attributing the contributions to the periods of service, if the amount of the employee contributions is independent of the number of years of service. The Company is currently assessing the impact of these amendments on its financial statements.

Annual improvements to IFRSs 2012 (effective for the annual periods beginning on or after 1 February 2015). The improvements consist of changes to seven standards.
IFRS 2 was amended to clarify the definition of a 'vesting condition' and to define separately 'performance condition' and 'service condition'; The amendment is effective for share-based payment transactions for which the grant date is on or after 1 July 2014.
IFRS 3 was amended to clarify that (1) an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32, and (2) all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss. Amendments to IFRS 3 are effective for business combinations where the acquisition date is on or after 1 July 2014.
IFRS 8 was amended to require (1) disclosure of the judgements made by management in aggregating operating segments, including a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics, and (2) a reconciliation of segment assets to the entity's assets when segment assets are reported.
The basis for conclusions on IFRS 13 was amended to clarify that deletion of certain paragraphs in IAS 39 upon publishing of IFRS 13 was not made with an intention to remove the ability to measure short-term receivables and payables at invoice amount where the impact of discounting is immaterial.
IAS 16 and IAS 38 were amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.
IAS 24 was amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity'), and to require to disclose the amounts charged to the reporting entity by the management entity for services provided.
The Company is currently assessing the impact of these amendments on its financial statements.

Annual improvements to IFRSs 2013 (effective for the annual periods beginning on or after 1 January 2015). The improvements consist of changes to four standards.
The basis for conclusions on IFRS 1 is amended to clarify that, where a new version of a standard is not yet mandatory but is available for early adoption; a first-time adopter can use either the old or the new version, provided the same standard is applied in all periods presented.
IFRS 3 was amended to clarify that it does not apply to the accounting for the formation of any joint arrangement under IFRS 11. The amendment also clarifies that the scope exemption only applies in the financial statements of the joint arrangement itself.
The amendment of IFRS 13 clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including contracts to buy or sell non-financial items) that are within the scope of IAS 39 or IFRS 9.
IAS 40 was amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive. The guidance in IAS 40 assists preparers to distinguish between investment property and owner-occupied property. Preparers also need to refer to the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination.
The Company is currently assessing the impact of these amendments on its financial statements.

(d) New standards, amendments and interpretations that have not been adopted by the European Union and that have not been early adopted by the Company and the Group:

IFRS 9, 'Financial instruments: Classification and measurement';

IFRS 14, 'Regulatory deferral accounts';

Accounting for acquisitions of interests in joint operations – Amendments to IFRS 11;

Clarification of acceptable methods of depreciation and amortisation – Amendments to IAS 16 and IAS 38;

IFRS 15, 'Revenue from contracts with customers';

Agriculture: Bearer plants – Amendments to IAS 16 and IAS 41;

Equity method in separate financial statements – Amendments to IAS 27;

Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28;

Annual improvements to 2014 IFRSs;

Disclosure initiative – Amendments to IAS 1;

Investment entities: Applying the consolidation exception – Amendments to IFRS 10, IFRS 12 and IAS 28.

2.2 Consolidation

(a) Subsidiaries

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

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

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

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

(b) Transactions with non-controlling interest

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

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

(c) Joint ventures

The group's interests in jointly controlled entities are accounted for by proportionate consolidation. The group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the

group's financial statements. The group recognises the portion of gains or losses on the sale of assets by the group to the joint venture that is attributable to the other venturers. The group does not recognise its share of profits or losses from the joint venture that result from the group's purchase of assets from the joint venture until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

2.3 Stand-alone financial statements

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

2.4 Foreign currency translation

(a) Functional and presentation currency

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

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

2.5 Property, plant and equipment

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

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

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

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

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

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

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

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

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

2.6 Intangible assets

(a) Computer software

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

(b) Contractual customer relationships

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

2.7 Impairment of non-financial assets

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

2.8 Financial asset

a) Loans and receivables

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

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

b) Available-for-sale financial assets

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

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

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

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

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

2.9 Inventories

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

2.10 Loans granted, trade and other receivables

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

2.11 Cash and cash equivalents

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

2.12 Share capital

(a) Ordinary shares

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

(b) Treasury shares

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

2.13 Reserves

(a) Other reserves

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

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

(b) Reserve for acquisition of treasury shares

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

2.14 Borrowings

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

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

2.15 Current and deferred income tax

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

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

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

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

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.16 Leases – where the Group is the lessee

(a) Finance lease

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

(b) Operating lease

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

2.17 Employee benefits

(a) Social security contributions

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

(b) Termination benefits

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

(c) Bonus plans

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

2.18 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group. Revenue from sales of goods is recognised only when all significant risks and benefits arising from ownership of goods is transferred to the customer.

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

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

2.19 Dividends distribution

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

2.20 Earnings per share

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

2.21 Segment reporting

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

2.22 Government grants and subsidies

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

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

2.23 Provisions

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

Provisions are measured at the present value of expenditures expected to be required to settle the obligation using pre-tax rate that reflects current market assessments of the time value of money and the risks specified to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.24 Trade payables

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

3. Financial risk management

3.1 Financial risk factors

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

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

(a) Market risk

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

(ii) Cash flow and fair value interest rate risk
The Company's and the Group's interest rate risk arises from interest-bearing loans and long-term borrowings issued. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. In 2014 and 2013, loans granted by the Group at a fixed interest rate were denominated in the litas. In 2014 and 2013, borrowings issued to the Group at a variable interest rate were denominated in the litas and the euros.

As at 31 December 2014, the Company's and the Group's net liabilities sensitive to interest rate risk amounted to LTL 20,387 thousand, respectively (31 December 2013: LTL 52,992 thousand respectively). If interest rate increases / decreases by 0.5 percentage point (2013: 0.5 percentage point), the Company's and the Group's profit would decrease / increase by LTL 102 thousand, respectively (2013: profit would decrease / increase by LTL 265 thousand, respectively).

(b) Credit risk

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

As at 31 December 2014, all Company's and Group's cash balances were held in banks that had external credit ratings from 'A+' to 'A', as set by the rating agency *Fitch Ratings* (31 December 2013: from 'A+' to 'BBB').

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

Group			Company	
2014	**2013**		**2014**	**2013**
11,483	21,527	Cash and cash equivalents at banks	3,677	17,873
120,486	120,890	Trade receivables	110,189	133,880
55,529	77,417	Loans granted	49,055	70,976
187,498	219,834		162,921	222,729

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

Credit limits and receivables as at 31 December 2014 for the major customers are summarised below:

Group			Company	
Credit limit	Receivables		Credit limit	Receivables
11,000	5,884	Customer A	11,000	5,884
5,181	1,791	Customer B	5,181	1,791
1,726	1,608	Customer C	1,726	1,608
1,036	1,024	Customer D	1,036	1,024
15,000	8,696	Customer E		
7,000	3,963	Customer F		
3,400	789	Customer G		
1,500	1,267	Customer H		
1,500	1,239	Customer J		

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

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

Trade receivables did not significantly exceed the established credit limits.

The table below summaries concentration of the loans granted:

Group			Company	
2014	**2013**		**2014**	**2013**
41,396	61,888	Loans granted for amount of above LTL 2 million	39,966	62,960
7,767	4,134	Loans granted for amount above LTL 1 million but not more than LTL 2 million	6,264	4,134
6,366	11,395	Loans granted for amount less than LTL 1 million	2,825	3,882
55,529	77,417		49,055	70,976

Loans in excess of LTL 2 million were granted to the following companies: Litrada UAB, Pieno Pramonės Investicijų Valdymas, UAB Maxima, individual farmer K.Deveikis, Igor Leontjev and AS Eves Agro.

(c) Liquidity risk

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

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

Company

At 31 December 2014	Less than 3 months	From 3 to 12 months	From 1 to 5 years	After 5 years
Borrowings from banks	45,676	4,712	-	-
Trade payables	42,099	-	-	-
Other payable	4,443	-	-	-
	92,218	**4,712**	-	-

At 31 December 2013	Less than 3 months	From 3 to 12 months	From 1 to 5 years	After 5 years
Borrowings from banks	45,676	4,712	-	-
Trade payables	49,579	-	-	-
Other payable	4,443	-	-	-
	99,698	**4,712**	-	-

Group

At 31 December 2014	Less than 3 months	From 3 to 12 months	From 1 to 5 years	After 5 years
Borrowings from banks	78,131	-	-	-
Trade payables	56,564	-	-	-
Other payable	-	-	-	-
	134,695		-	-

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

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

3.2. Capital risk management

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

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

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

Group			Company	
2014	2013		2014	2013
54,831	82,187	Borrowings	54,831	82,187
(11,483)	(21,527)	Less: cash and cash equivalents	(3,677)	(17,873)
43,348	60,660	Net debt	51,154	64,314
339,573	344,404	Shareholders' equity	304,149	328,810
382,921	405,064	Total capital	355,303	393,124

Pursuant to the Lithuanian Law on Companies the authorised share capital of a public company must be not less than LTL 150 thousand (the authorised share capital of a private company must not be less than LTL 10 thousand) and the shareholders' equity should not be lower than 50 per cent of the company's registered share capital. As at 31 December 2014 and 31 December 2013 the Company and its subsidiaries registered in Lithuania complied with these requirements

3.3. Fair value estimation

Trade payables and trade receivables accounted for in the balance sheet should be settled within a period shorter than three months therefore it is deemed that their fair value equals to their carrying amount less impairment. Interest rate on the borrowings received by the Company is subject to repricing at least every six months therefore it is deemed that their fair value equals their carrying amount. Companies and Group issued loans fair value disclosed in Note 19. Property, plant and equipment fair value disclosed in Note 15.
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

4. Critical accounting estimates and judgements

Provision for impairment of loans and accounts receivable

Provision for impairment of accounts receivable and loans granted was determined based on the management's estimates on recoverability and timing relating to the amounts that will not be collectable

according to the original terms of receivables. This determination requires significant judgement. Judgement is exercised based on significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments. Current estimates of the Company and the Group could change significantly as a result of change in situation in the market and the economy as a whole. Recoverability rate also highly depends on success rate and actions employed relating to recovery of significantly overdue amounts receivable.

Estimates of useful lives of property, plant and equipment

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

Revaluation of property, plant and equipment

With effect from 31 December 2011, the Company and the Group account for property, plant and equipment at revalued amount less accumulated depreciation and impairment loss. Under the newly adopted accounting policy, the revaluation is carried out periodically to ensure that the carrying amount of property, plant and equipment will not differ significantly from the value determined with reference to the fair value at the end of the reporting period. In 2011, the valuation of property, plant and equipment was carried out by Vadasa UAB using the comparable sales method. The Company's management believes the values of property, plant and equipment adjusted under these methods as of 31 December 2011 approximated the fair value. No revaluation of property, plant and equipment was conducted in 2013 and 2014 (Note 15).

Inventory write-down to net realizable value

Group and Company recognise inventory at the lower of cost and net realizable value. The Group and Company evaluates whether the value of inventory recognised at cost is not lower that it's net realisibale value based on the historical data and actual results of inventory items sold below costs after financial year end. If the recognised inventory write-down to net realizable value would be in 5 per cent higher/lower, the profit before income tax for the year 2014 of the Group and Company was in LTL 1 074 thousand lower/ higher (for 2013 – LTL 105 thousand).

5. Segment reporting

Operating segments and reportable segments

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

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

- Fresh milk products
- Cheese and other dairy products

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

Segment information for the years ended 31 December 2014 and 2013:

	Fresh milk products	Cheese and other dairy products	Other segments (unallocated)	Group
2014				
Sales	263,417	771,887	106,422	1,141,726
Inter-segment sales	(360)	(176,462)	(104,291)	(281,113)
Sales to external customers	**263,057**	**595,425**	**2,131**	**860,613**
Segment's gross profit	**51,154**	**16,223**	**(1,075)**	**66,302**
Depreciation and amortisation	**7,097**	**24,852**	**138**	**32,087**
Income tax expense (income)	**2,819**	**(3,582)**	**3**	**(760)**
Total assets	99,898	407,165	11,172	518,235
Elimination of intercompany transactions				(32,238)
Total assets less intercompany transactions				**485,997**
Additions to non-current assets (other than financial instruments and deferred tax assets)	4,638	17,143	227	22,008
Total liabilities	38,013	129,874	9,423	177,310
Elimination of intercompany transactions				(30,886)
Total liabilities less intercompany transactions				**146,424**

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

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

Geographical information

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

	Sales		Total assets		Capital expenditure	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
Lithuania	231,119	220,783	434,023	480,523	17,143	21,116
Europe Union countries	383,301	407,390	-	-	-	-
Other countries	157,467	167,477	-	-	-	-
	771,887	795,650	434,023	480,523	17,143	21,116

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

	Sales		Total assets		Capital expenditure	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
Lithuania	284,307	247,947	474,916	496,679	22,008	38,800
Europe Union countries	418,839	445,011	11,081	14,911	-	-
Other countries	157,467	168,397		-	-	-
	860,613	861,355	485,997	511,590	22,008	38,800

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

The analysis of the Company's revenue by category:

	2014	**2013**
Revenue from sales of goods	745,144	771,211
Other revenue (milk transportation)	26,743	24,439
	771,887	795,650

The analysis of the Group's revenue by category:

	2014	**2013**
Revenue from sales of goods	857,895	858,986
Other revenue (milk transportation)	2,718	2,369
	860,613	861,355

6. Selling and marketing expenses

Group			Company	
2014	**2013**		**2014**	**2013**
6,670	5,674	Marketing services	-	-
8,517	8,698	Wages and salaries	4,375	4,101
15,969	13,074	Transportation services	15,072	11,957
2,534	1,040	Product image creation and advertising expenses	262	262
2,466	2,423	Repairs and maintenance	2,131	2,046
1,590	2,103	Depreciation of property, plant and equipment	1,421	1,713
990	549	Warehousing services	990	549
7,524	5,052	Other expenses	8,669	6,356
46,260	38,613		32,920	26,984

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

7. General and administrative expenses

Group 2014	Group 2013		Company 2014	Company 2013
8,794	11,267	Wages and salaries	6,151	8,062
576	219	Taxes (other than income tax)	158	150
1,070	532	Provisions for impairment of loans granted and write-offs of loans (Note 19)	1,070	532
4,536	6,783	Provisions for impairment of doubtful receivables and write-offs of amounts receivable (Note 21)	4,536	7,154
857	651	Consultations	684	502
1,686	2,177	Depreciation of property, plant and equipment and amortisation of intangible assets	1,001	1,125
659	754	Repairs and maintenance	525	648
261	4,220	Paid and accrued bonuses	(910)	1,168
364	348	Telecommunications and IT maintenance expenses	286	285
736	679	Insurance expenses	672	617
498	150	Bank charges	453	351
378	1,110	Business trips	330	900
118	150	Fines	9	14
310	76	Staff training	279	41
46	47	Membership fees	42	40
919	710	Charity, support	674	446
1,289	3,993	Other expenses	601	2,947
23,097	33,866		16,561	24,982

8. Other income

Group 2014	Group 2013		Company 2014	Company 2013
9,155	19,914	Re-sale of goods	9,090	19,909
3,447	2,891	Interest income	2,832	2,331
1,391	1,202	Other income	4,721	33,353
13,993	24,007		16,643	55,593

The Company's other income comprises dividends received from subsidiary Rokiškio Pienas UAB and Jekabpils Piena Kombinats SIA, and insurance income and other income from the provision of services (Note 33).

9. Other expenses

Group 2014	Group 2013		Company 2014	Company 2013
8,922	19,712	Cost of goods resold	8,901	19,698
500	488	Other expenses	610	497
9,422	20,200		9,511	20,195

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

10. Other operating losses

Group 2014	Group 2013		Company 2014	Company 2013
(1,682)	(361)	Loss on disposal of property, plant and equipment (Note 32)	(1,683)	(361)
(521)		Result of disposal of investments in the associate (Note 17)	-	
(2,203)	(361)		(1,683)	(361)

11. Expenses by nature

Group 2014	Group 2013		Company 2014	Company 2013
622,237	573,633	Raw materials and consumables used	515,413	545,435
(23,561)	(33,665)	Changes in inventories of finished goods and work in progress	(25,297)	(32,298)
63,153	62,084	Salaries including social security costs	41,958	41,507
55,312	46,764	Transportation services	54,297	45,604
261	4,220	Paid and accrued (reversed) bonuses	(910)	1,168
32,087	35,532	Depreciation and amortisation (Notes 15 and 16)	24,400	27,886
(1,298)	(2,009)	Amortisation of the Government grant for property, plant and equipment (Note 27)	(795)	(1,443)
6,670	5,674	Marketing services		
12,704	13,248	Repairs and maintenance	11,899	12,432
2,344	4,291	Cost of finished goods resold	112,030	41,446
-	-	Write-offs of investments (Note 17)	-	-
4,536	7,154	Impairment of amounts receivable and amounts receivable written off (Note 21)	4,536	7,154
862	506	Taxes (other than income tax)	432	419
857	651	Consultations	684	502
426	410	Telecommunications and IT maintenance expenses	348	346
56,987	56,441	Utilities (energy)	36,146	36,974
30,091	53,640	Other	25,907	36,259
863,668	828,574	Total cost of sales, selling and marketing expenses and general and administrative expenses	801,048	763,391

12. Finance costs

Group 2014	Group 2013		Company 2014	Company 2013
		Interest expense:		
1,397	1,157	– bank borrowings	1,024	722
-	-	– finance leases	-	-
1,397	1,157		1,024	722

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

13. Income tax

Group			Company	
	2013			2013
(4,553)	(7,381)	Current income tax	(1,306)	(6,955)
-	741	Prior year income tax corrections	-	741
5,313	4,355	Deferred income tax (Note 18)	4,888	3,880
760	(2,285)	Income tax benefit/(expenses)	3,582	(2,334)

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

Group			Company	
2014	2013		2014	2013
(2,084)	35,070	Profit/(loss) before income tax	(24,736)	66,574
(313)	5,261	Tax calculated at a rate of 15% (Note 2.15)	(3,710)	9,986
1,428	(563)	Expenses not deductible for tax purposes	1,879	(1,505)
(717)	(232)	Income not subject to tax	(680)	(4,712)
(237)	(622)	Charity expenses deductible twice for tax purposes	(202)	(134)
(922)	(818)	Other expenses deductible for tax purposes	(869)	(560)
-	(741)	Prior year income tax adjustments	-	(741)
(760)	2,285	Income tax expense/(income)	(3,582)	2,334

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

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

14. Earnings per share

Group			Company	
	2013		2014	2013
(1,324)	32,785	Net profit/(loss) attributable to shareholders	(21,154)	64,240
35,066	35,066	Weighted average number of ordinary shares in issue (thousand)	35,066	35,066
(0.04)	0.93	Basic earnings/(deficit) per share (LTL per share)	(0.60)	1.83

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

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

15. Property, plant and equipment

Company	Buildings	Plant and machinery	Motor vehicles and other assets	Construct-ion in progress	Total
At 1 January 2013					
Revalued value	31,527	70,099	33,064	831	135,521
Accumulated depreciation	(1,340)	(18,393)	(7,718)	-	(27,451)
Net book amount	30,187	51,706	25,346	831	108,070
Year ended 31 December 2013					
Opening net book amount	30,187	51,706	25,346	831	108,070
Additions	31	11,841	5,507	3,737	21,116
Disposals	(476)	(103)	(306)		(885)
Write-offs			(112)		(112)
Transfers from CIP	157	1,623		(1,780)	
Depreciation charge	(1,308)	(18,055)	(8,317)		(27,680)
Closing net book amount	28,591	47,012	22,118	2,788	100,509
At 31 December 2013					
Revalued value	45,347	191,470	93,868	2,788	333,473
Accumulated depreciation	(16,756)	(144,458)	(71,750)		(232,964)
Net book amount	28,591	47,012	22,118	2,788	100,509
Year ended 31 December 2014					
Opening net book amount	28,591	47,012	22,118	2,788	100,509
Additions	39	3,518	4,750	8,836	17,143
Disposals	(121)	(1,427)	(330)		(1,878)
Write-offs	(9)	(24)	(6)		(39)
Transfers from CIP	244	5,368	45	(5,657)	-
Depreciation charge	(1,307)	(15,491)	(7,552)		(24,350)
Closing net book amount	27,437	38,956	19,025	5,967	91,385
At 31 December 2014					
Revalued value	45,424	204,210	99,977	5,967	355,578
Accumulated depreciation	(17,987)	(165,254)	(80,952)	-	(264,193)
Net book amount	27,437	38,956	19,025	5,967	91,385

As at 31 December 2011, the Company's and the Group's property, plant and equipment was revaluated. The fair value was determined by independent property valuer Vadasa UAB based on the market prices prevailing in Lithuania (for buildings, machinery, motor vehicles and equipment) and in the EU Member States (for part of equipment). The valuation was carried out using the comparable price method. Gain on revaluation of property, plant and equipment was disclosed in the tables of movements in property, plant and equipment, and was recognised in other comprehensive income.

The fair value of property, plant and equipment is attributed to Level 2 in the fair value hierarchy.

In 2013, no revaluations were carried out for property, plant and equipment, because in the management's opinion, no significant changes occurred in real estate market, nor in the company's business, nor in the market prices of equipment and machinery. Consequently, there were no significant changes in the fair value of property, plant and equipment of both companies. The members of the Board of Directors used the assumption that the carrying amount of property, plant and equipment reflected the fair value of these assets of Rokiškio Sūris AB and Rokiškio Pieno Gamyba UAB, and made the decision not to perform the revaluation for the property, plant and equipment of Rokiškio Sūris AB Group, but to review the depreciation rates used for these assets.

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

Group	Buildings	Plant and machinery	Motor vehicles and other assets	Construct-ion in progress	Total
At 1 January 2013					
Revalued value	51,324	92,532	35,699	947	180,502
Accumulated depreciation	(2,756)	(23,578)	(8,369)	-	(34,703)
Net book amount	48,568	68,954	27,330	947	145,799
Year ended 31 December 2013					
Opening net book amount	48,568	68,954	27,330	947	145,799
Additions	493	15,838	6,224	16,245	38,800
Disposals	(476)	(16)	(306)		(798)
Write-offs			(112)		(112)
Transfers from CIP	1,163	9,969	164	(11,296)	
Depreciation charge	(2,268)	(24,170)	(9,094)		(35,532)
Closing net book amount	47,480	70,575	24,206	5,896	148,157
At 31 December 2013					
Revalued value	70,277	225,776	93,321	5,896	395,270
Accumulated depreciation	(22,797)	(155,201)	(69,115)		(247,113)
Net book amount	47,480	70,575	24,206	5,896	148,157
Year ended 31 December 2014					
Opening net book amount	47,480	70,575	24,207	5,896	148,158
Additions	338	4,016	5,023	12,631	22,008
Disposals	(267)	(1,439)	(374)		(2,080)
Write-offs	(9)	(24)	(11)		(44)
Transfers from CIP	1,898	10,585	77	(12,560)	
Depreciation charge	(2,357)	(20,972)	(8,255)		(31,584)
Closing net book amount	47,083	62,741	20,667	5,967	136,458
At 31 December 2014					
Revalued value	72,828	258,189	104,318	5,967	441,302
Accumulated depreciation	(25,745)	(195,448)	(83,651)		(304,844)
Net book amount	47,083	62,741	20,667	5,967	136,458

As at 31 December 2014, the Company's and the Group's property, plant and equipment with a carrying value of LTL 28,844 thousand and LTL 48,557 thousand, respectively (31 December 2013: LTL 31,017 thousand and LTL 49,443 thousand, respectively) was pledged as a security for bank borrowings.

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

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

Had no revaluation been performed for property, plant and equipment, the net book values of the Group's and the Company's property, plant and equipment would have been as follows as of 31 December 2013 and 2014:

Company	Buildings	Constructions and machinery	Motor vehicles and other assets	Construction in progress	Total
At 31 December 2013	18,218	21,735	12,124	2,788	**54,865**
At 31 December 2014	17,137	25,391	12,936	5,967	**61,431**

Group	Buildings	Constructions and machinery	Motor vehicles and other assets	Construction in progress	Total
At 31 December 2013	28,666	42,280	14,018	5,896	**90,860**
At 31 December 2014	28,786	47,094	14,541	5,967	**96,388**

16. Intangible assets

Company	**Computer software**
At 1 January 2013	
Cost	2,363
Accumulated amortisation	(2,149)
Net book amount	214
Year ended 31 December 2013	
Opening net book amount	214
Additions	109
Amortisation charge	(206)
Closing net book amount	117
At 31 December 2013	
Cost	2,455
Accumulated amortisation	(2,338)
Net book amount	117
Year ended 31 December 2014	
Opening net book amount	117
Additions	4
Amortisation charge	(50)
Closing net book amount	71
At 31 December 2014	
Cost	2,459
Accumulated amortisation	(2,388)
Net book amount	71

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

Group	Contractual client relationship	Computer software	Total
At 1 January 2013			
Cost	904	2,638	3,542
Accumulated amortisation	-	(2,421)	(2,421)
Net book amount	904	217	1,121
Year ended 31 December 2013			
Opening net book amount	904	217	1,121
Additions		109	109
Amortisation charge		(207)	(207)
Closing net book amount	904	119	1,023
At 31 December 2013			
Cost	904	2,459	3,363
Accumulated amortisation		(2,340)	(2,340)
Net book amount	904	119	1,023
Year ended 31 December 2014			
Opening net book amount	904	119	1,023
Additions	-	4	4
Amortisation charge	(452)	(51)	(503)
Closing net book amount	452	72	524
At 31 December 2014			
Cost	904	2,463	3,367
Accumulated amortisation	(452)	(2,391)	(2,843)
Net book amount	452	72	524

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

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

17 Investments

During 2013, the Company neither acquired nor liquidated any subsidiaries and no impairment was recognised for subsidiaries.
In April 2014, Rokiškio Sūris AB sold a 50% interest in Pieno Upės UAB. The ownership interest was sold in accordance with a long-term shareholder agreement after other shareholders expressed a wish to acquire shares. Pieno Upės UAB is engaged in the purchase of milk.

Group April 2014			Company April 2014
		Assets	-
	386	Non-current assets	
	1,480	Amounts receivable	
	2,014	Cash	
3,880			
(1,438)		Liabilities	
			-
2,442		Net assets	
	1,221	Group's share of net assets (50%)	
	-	Cost of the investment (Company)	700
	700	Price of shares	700
	(521)	Result of disposal of investments (Note 10)	-

18 Deferred income tax

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

Group 2014	Group 2013		Company 2014	Company 2013
		Deferred income tax assets:		
720	559	– to be recovered after more than 12 months	720	559
4,639	2,125	– to be recovered within 12 months	4,426	2,053
5,359	2,684		5,146	2,612
		Deferred income tax liabilities:		
(6,171)	(8,809)	– to be settled after more than 12 months	(4,493)	(6,847)
-	-	– to be settled within 12 months	-	-
(6,171)	(8,809)		(4,493)	(6,847)
(812)	(6,125)	Net deferred income tax assets	653	(4,235)

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

Group 2014	Group 2013		Company 2014	Company 2013
(6,125)	(10,337)	At beginning of the year	(4,235)	(8,115)
5,313	4,212	Recognised in the income statement (Note 13)	4,888	3,880
-	-	Recognised in the statement of comprehensive income	-	-
(812)	(6,125)	At end of the year	653	(4,235)

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

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

Company

Deferred income tax assets	Inventory net realisable value adjustment	Amortised cost of loans granted	Impairment of amounts receivable	Bonuses and vacation reserve	Total
At 1 January 2013	**239**	**479**		**359**	**1,077**
Recognised in the income statement	75	80	900	480	1,535
At 31 December 2013	**314**	**559**	**900**	**839**	**2,612**
Recognised in the income statement	2,908	161	(209)	(326)	2,534
At 31 December 2014	**3,222**	**720**	**691**	**513**	**5,146**

Deferred income tax liabilities	Revaluation of property, plant and equipment	Total
At 1 January 2013	**(6,847)**	**(6,847)**
Recognised in the income statement	2,345	2,345
Recognised in other comprehensive income		
At 31 December 2013	**(6,847)**	**(6,847)**
Recognised in the income statement	2,354	2,354
Recognised in other comprehensive income		
At 31 December 2014	**(4,493)**	**(4,493)**

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

Group

Deferred income tax assets	Inventory net realisable value adjustment	Amortised cost of loans granted	Impairment of amounts receivable	Bonuses and vacation reserve	Total
At 1 January 2013	**239**	**479**	**-**	**359**	**1,077**
Recognised in the income statement	75	80	900	552	1,607
At 31 December 2013	**314**	**559**	**900**	**911**	**2,684**
Recognised in the income statement	2,908	161	(209)	(185)	2,675
At 31 December 2014	**3,222**	**720**	**691**	**726**	**5,359**

Deferred income tax liabilities	Accelerated tax depreciation	Revaluation of property, plant and equipment	Total
At 1 January 2013	(160)	(11,254)	(11,414)
Recognised in the income statement	(143)	2,748	2,605
Recognised in other comprehensive income	-		
At 31 December 2013	(303)	(8,506)	(8,809)
Recognised in the income statement	143	2,495	2,638
Recognised in other comprehensive income			
At 31 December 2014	(160)	(6,011)	(6,171)

Deferred income tax assets and deferred income tax liabilities were calculated using a tax rate of 15% (2013: 15%) enacted by the balance sheet date and expected to apply when the related deferred income tax asset is realised or deferred income tax liability is settled.

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

19. Loans granted

Group 2014	Group 2013		Company 2014	Company 2013
5,166	5,873	Long-term loans to farmers	5,166	5,873
1,012	1,074	Long-term loans to employees	796	848
6,579	39,462	Other long-term loans	5,227	36,679
(4,698)	(3,628)	Less: provision for impairment of loans receivable	(4,698)	(3,628)
8,059	42,781	Long-term loans, net	6,491	39,772
5,907	9,681	Current portion of loans to farmers	3,771	3,851
132	119	Current portion of loans to employees	122	109
41,431	24,836	Other short-term loans granted	38,671	27,244
47,470	34,636	Current portion of long-term loans and short-term loans	42,564	31,204

Loans to farmers were granted with repayment terms ranging from 2 months to 10 years. The annual interest rate ranges from 0 to 10 per cent. Effective interest rate was 9.54 per cent (2013: 9.34 per cent).

Long-term loans to employees were granted with repayment terms ranging from 1 to 25 years. The loans are interest free. Effective interest rate was 10.44 per cent (2013: 10.42 per cent).

Repayment terms of other long-term loans granted ranges from 1 to 5 years. The loans bear average weighted interest rate of 3.12 per cent (2013: 4.18 per cent).

As at 31 December 2014, the fair value of loans granted to employees amounted to LTL 512 thousand (2013: LTL 529 thousand). As at 31 December 2014, the fair value of loans granted to farmers amounted to LTL 10,564 thousand (2013: LTL 9,324 thousand). The fair value of loans granted is attributed to Level 2 in the fair value hierarchy.
The fair value of other loans granted approximates the carrying amount.

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

Group 2014	Group 2013		Company 2014	Company 2013
52,363	73,584	Loans granted not past due	45,975	67,143
3,166	3,833	Loans granted past due but not impaired	3,080	3,833
4,698	3,628	Impaired loans granted	4,698	3,628
60,227	81,045	Gross value of loans granted	53,753	74,604
(4,698)	(3,628)	Impairment of amounts uncollectible	(4,698)	(3,628)
55,529	77,417	Net amount	49,055	70,976

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

20. Inventories

Group 2014	Group 2013		Company 2014	Company 2013
7,955	8,362	Raw materials	3,475	3,177
18,207	22,079	Work in progress	17,525	21,289
143,928	97,014	Finished products	142,333	94,250
3,485	3,179	Other inventories	2,552	2,492
173,575	130,634	Total inventories at cost	165,885	121,208
(21,478)	(2,098)	Less: inventory write-down to net realizable value	(21,478)	(2,098)
152,097	128,536	Total inventories	144,407	119,110

As at 31 December 2014, inventories with cost of LTL 25,000 thousand (31 December 2013: LTL 25,000 thousand) were pledged as a security for bank borrowings.

As at 31 December 2014, the Company's inventories comprising 1,428 tons of skim milk powder were held with the third party in Lithuania, 41 tons of hard cheese, 12.6 tons of whey protein concentrate and 8.5 tons of lactose were held in warehouses in the European Union country and 233 tons of hard cheese were held in the US (16 million Lt).
As at 31 December 2013, the Company's inventories comprising 150 tons of hard cheese were held with the third parties in warehouses in the European Union country.

21. Trade and other receivables

Group 2014	Group 2013		Company 2014	Company 2013
		Non-current receivables		
34	1,962	Prepayments	-	1,928
34	1,962		-	1,928
		Current receivables		
116,176	120,890	Trade receivables	105,879	133,880
4,396	7,936	VAT receivable	3,724	4,728
693	906	Advance payments and deferred expenses	350	450
121,265	129,732		109,953	139,058

As at 31 December 2014 and 31 December 2013, there were no trade receivables pledged as collateral.

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

Group 2014	Group 2013		Company 2014	Company 2013
67,827	95,201	Trade receivable neither past due nor impaired	59,241	109,889
21,382	25,689	Trade receivable past due but not impaired	19,671	23,991
31,577	7,154	Impaired amounts receivable	31,577	7,154
120,786	128,044	Gross value	110,489	141,034
(4,610)	(7,154)	Impairment charge	(4,610)	(7,154)
116,176	120,890	Net value of trade receivables	105,879	133,880

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

The Group received no collaterals as a security in relation to impaired amounts receivable.
As at 31 December 2014, the Company's trade receivables from Rokiškio Pienas UAB, Rokiškio Pieno Gamyba UAB and Jekabpils Piena Kombinats SIA amounted to LTL 970 thousand (31 December 2013: LTL 24,510 thousand), LTL 9,460 thousand (31 December 2013: LTL 15,401 thousand) and LTL 855 thousand (31 December 2013: LTL 492 thousand), respectively.

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

Group 2014	Group 2013		Company 2014	Company 2013
15,352	16,112	Up to 30 days	14,396	15,296
5,191	1,935	31 to 60 days	5,078	1,080
16	7,572	61 to 90 days	16	7,564
823	70	More than 91 days	181	51
21,382	25,689		19,671	23,991

22. Cash and cash equivalents

Group At 31 December 2014	Group At 31 December 2013		Company At 31 December 2014	Company At 31 December 2013
142	51	Short-term deposits	142	41
11,341	21,476	Cash at bank and in hand	3,535	17,832
11,483	21,527		3,677	17,873

As at 31 December 2014, cash balance in accounts pledged amounted to LTL 7,698 thousand (31 December 2013: monetary funds were not pledged).

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

Group At 31 December 2014	Group At 31 December 2013		Company At 31 December 2014	Company At 31 December 2013
142	51	Short-term deposits	142	41
11,341	21,476	Cash at bank and in hand	3,535	17,832
11,483	21,527		3,677	17,873

23. Share capital

As at 31 December 2014, the share capital was divided into 35,867,970 (31 December 2013: 35,867,970) ordinary registered shares with par value of LTL 1 each. All the shares are fully paid.

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

24. Treasury shares

	2014		2013	
	Number	Amount	Number	Amount
At beginning of the year	802,094	(3,868)	802,094	(3,868)
Treasury shares acquired	-	-	-	-
Reduction of share capital	-	-	-	-
	802,094	(3,868)	802,094	(3,868)

The Company did not acquire own shares during 2014 and 2013.
As at 31 December 2014, the Company had 802,094 own shares.
In respect of own shares, the Company is not entitled to property and non-property rights stipulated in the Lithuanian Law on Companies.

25. Other reserves and reserve for acquisition of treasury shares

Other reserves

Non-distributable reserves of LTL 3,593 thousand can only be used to increase the share capital and non-distributable reserves (legal reserves) of Rokiškio Sūris AB, Rokiškio Pieno Gamyba UAB and Rokiškio Pienas UAB amounting to LTL 3,840 thousand, LTL 1,920 thousand and LTL 770 thousand, respectively, can only be used to cover future operating losses, if any. The remaining amount of other reserves totalling LTL 25,461 thousand for the Company and LTL 34,059 thousand for the Group (2013: LTL 38,797 thousand and LTL 48,194 thousand, respectively) comprises the revaluation reserve of property, plant and equipment. (*See below for the disclosure of the revaluation reserve*).

Reserve for acquisition of treasury shares

In 2013 and 2014, no decisions were made regarding the establishment of the reserve for acquisition of treasury shares. As at 31 December 2014, the total amount of the reserve for acquisition of treasury shares remained unchanged and was equal to LTL 40,287 thousand.

Dividends

The dividends per share (excluding own shares) declared at the Company for the year 2013 and paid out in 2014 amounted to LTL 0.10 (with the nominal value of LTL 1 per share), and totalled LTL 3,507 thousand.

Revaluation reserve

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

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

Company

At 1 January 2013	**52,086**
Depreciation of revalued amount of PP&E (Note 15)	(15,634)
Change in deferred tax liability on depreciation of revalued amount of PP&E recognised in the income statement (Note 18)	2,345
Depreciation of revalued amount of PP&E net of deferred income tax.	(13,289)
Revaluation reserve at 31 December 2013	**38,7978**
Depreciation of revalued amount of PP&E and disposals and write-offs of revalued assets (Note 15)	(15,690)
Change in deferred tax liability on depreciation of revalued amount of PP&E recognised in the income statement (Note 18)	2,354
Depreciation of revalued amount of PP&E, net of deferred income tax	(13,336)
Revaluation reserve at 31 December 2014	**25,461**

Group

At 1 January 2013	**63,768**
Depreciation of revalued amount of PP&E (Note 15)	(18,322)
Change in deferred tax liability on depreciation of revalued amount of PP&E recognised in the income statement (Note 18)	2,748
Depreciation of revalued amount of PP&E net of deferred income tax	(15,574)
Revaluation reserve at 31 December 2013	**48,194**
Depreciation of revalued amount of PP&E and disposals and write-offs of revalued assets (Note 15)	(16,629)
Change in deferred tax liability on depreciation of revalued amount of PP&E recognised in the income statement (Note 18)	2,495
Depreciation of revalued amount of PP&E, net of deferred income tax	(14,134)
Revaluation reserve at 31 December 2014	**34,060**

26. Borrowings

Group 2014	Group 2013		Company 2014	Company 2013
		Non-Current		
		Non-current bank borrowings		
		Current		
54,831	82,187	Current bank and other borrowings	54,831	82,187
		Finance lease liabilities		
54,831	82,187		54,831	82,187
54,831	82,187	**Total borrowings**	54,831	82,187

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

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

Group			Company	
2014	2013		2014	2013
1.075	1.26	Current bank borrowings	1.075	1.26

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

Group			Company	
2014	2013		2014	2013
54,831	82,187	EUR	54,831	82,187
-	-	LTL	-	-
54,831	82,187		54,831	82,187

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

As at 31 December 2014, under the agreements signed with banks the unused balance of credit lines amounted to LTL 76,080 thousand for the Company and the Group (2013: LTL 25,949 thousand).

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

27. Deferred income

Group			Company	
2014	2013		2014	2013
5,112	6,232	Government grants at beginning of year	2,744	3,298
-	889	New grants received	-	889
(1,298)	(2,009)	Amortisation of deferred income to match related depreciation	(795)	(1,443)
3,814	5,112		1,949	2,744
(2,691)	(3,805)	Less: non-current portion	(1,291)	(1,949)
1,123	1,307	Current portion	658	795

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

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

28. Trade and other payables

Group			Company	
2014	2013		2014	2013
49,579	56,564	Trade payables	42,099	48,323
4,411	4,611	Salaries, social security and taxes	2,760	2,797
19,490	1,358	Reveived prepayments and other payables	19,436	609
6,433	7,122	Bonuses and vacation reserve	4,306	6,563
79,913	69,655		68,601	58,292

As at 31 December 2014 and 31 December 2013, there were no amounts payable to Rokiškio Pieno Gamyba UAB and Rokiškio Pienas UAB.

29. Provisions

As at 31 December 2014, the Company had no provisions established.

30. Contingent liabilities and commitments

Contingent liabilities

As at 31 December 2013 and 2014, no guarantees were granted to third parties on behalf of the Group and the Company.

Capital expenditure commitments

As at 31 December 2014, there were no capital expenditure contracted for property, plant and equipment at the balance sheet date but not recognised in the financial statements. As at 31 December 2013, capital expenditure contracted for property, plant and equipment at the balance sheet date but not recognised in the financial statements amounted to LTL 4,118 thousand.

Operating lease commitments – where the Group is the lessee

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

Group			Company	
2014	2013		2014	2013
508	384	Not later than 1 year	508	384
474	472	Later than 1 year but not later than 5 years	474	472
982	856		982	856

31. Available-for-sale financial assets

As at 31 December 2014, the Company had no available-for-sale financial assets.

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

32. Cash generated from operations

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

Group At 31 December 2014	Group At 31 December 2013		Company At 31 December 2014	Company At 31 December 2013
(2,084)	35,070	Net profit (loss) before income tax	(24,736)	66,574
		Adjustments for:		
31,584	35,532	– depreciation (Note 15)	24,350	27,680
503	207	– amortisation and impairment charge (Note 16)	50	206
44	112	– write-off of property, plant and equipment and intangible assets (Notes 15 and 16)	39	112
1,682	361	– loss on disposal of property, plant and equipment (Note 10)	1,683	361
1,397	1,157	– interest expense (Note 12)	1,024	722
(2,979)	(2,891)	– interest income (Note 8)	(2,364)	(2,331)
19,380	500	– write-offs of inventories to net realisable value	19,380	500
(4,610)	(7,154)	– impairment of doubtful receivables and write-offs of bad receivables (Note 21)	(4,610)	(7,154)
(1,070)	(532)	– provisions for loans granted to farmers (Note 7)	(1,070)	(532)
521	-	– loss on disposal of investments	-	-
(1,640)	(4,827)	– accrual for vacation reserve and bonus	(701)	(4,346)
(1,298)	(2,009)	– amortisation of government grants received (Note 27)	(795)	(1,443)
	-	– dividend income (Note 33)	(3,614)	(30,344)
		Changes in working capital:		
25,673	(24,906)	– amounts receivable and prepayments	56,203	(47,631)
(42,941)	(34,164)	– inventories	(44,678)	(32,797)
15,897	41,749	– amounts payable	6,574	18,967
40,059	38,205	Net cash generated from/(used in) operations	26,735	(11,456)

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

Group At 31 December	Group At 31 December 2013		Company At 31 December 2014	Company At 31 December 2013
2,080	798	Net book amount (Note 15)	1,878	885
(1,682)	(361)	Loss on disposal of property, plant and equipment (Note 10)	(1,683)	(361)
398	437	Proceeds from sale of property, plant and equipment	195	524

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

33. Related-party transactions

The Group is controlled by Pieno Pramonės Investicijų Valdymas UAB (incorporated in Lithuania), RSU Holding SIA (incorporated in Latvia) and Mr Antanas Trumpa (the Company's director) which hold 68.24 per cent of the Company's share capital. A private limited liability company Pieno Pramonės Investicijų Valdymas UAB is controlled by Mr Antanas Trumpa (acting as a main shareholder). RSU Holding SIA is controlled by Mr Antanas Trumpa (acting as a main shareholder). The remaining 28.30 per cent of shares of the Company is held by other minority natural and legal persons operating in Lithuania and foreign countries. Rokiškio Sūris AB has acquired 802,094 units of its own shares (2.24 per cent).
Members of the Board of Pieno Pramonės Investicijų Valdymas UAB, RSU Holding SIA and Rokiškio Sūris AB and their family members are treated as related parties.
Certain cooperative societies engaged in the production of milk are treated as related parties of the Company because the Company can exercise a significant influence over daily activities of these cooperative societies through close family members of its directors and certain employees.

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

Group			Company	
At 31 December			At 31 December	
2014	2013		2014	2013
11,055	17,673	Purchase of raw milk from other related parties	114,651	128,772
-	-	Purchase of non-current assets	1	-
-	-	Purchase of inventory	34,927	28,718
4,477	4,659	Purchases of services	8,751	7,403
-	-	Purchase of consulting services	-	-
1	1	Sales of transportation services to other related parties	7,996	7,643
1,452	1,461	Sales of production and other inventories	169,322	195,561
-		Sale of non-current assets	-	1,549
336	255	Interest charges on credit facility	702	255

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

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

Group			Company	
At 31 December			At 31 December	
2014	2013		2014	2013
80	93	Non-interest bearing loans granted to Senior Management (and their family members)	80	93
16,769	17,884	Credit facility granted to Pieno Pramonės Investicijų Valdymas UAB	16,769	17,884
-	-	Loan granted to Jekabpils Piena Kombinats SIA	3,570	6,073
-	-	Trade payables to other related parties	4,120	7,728
-	-	Trade receivables from other related parties (Note 21)	11,291	40,752

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

On 25 April 2014, based on paragraph 4 of the decision passed by the shareholder of Rokiškio Pieno Gamyba UAB (Minutes No. 1) it was decided to approve of the profit (loss) appropriation for 2013 of Rokiškio Pieno Gamyba UAB and allocate LTL 2,950,000 for the payment of dividends. Dividends were paid to Rokiškio Sūris AB in May 2014. Based on the decision of the shareholder of Rokiškio Pienas UAB, dividends in 2014 were not paid (2013 - LTL 30 344 thousand). From Jekabpils Piena Kombinats SIA received dividends during 2014 amounted to LTL 363 thousand (2013 LTL 492). From UAB „Pieno upės" received dividends during 2014 amounted to LTL 300 thousand (2013 LTL 11 thousand).

(iii) Compensation of key management personnel

2014	2013		2014	2013
1,374	3,580	Salaries	1,374	3,580
3,851	4,220	Bonuses / management bonuses paid	2,868	1,168
-	1,168	Accrual for management bonuses	-	1,168
208	194	Social security contributions	208	194
5,433	9,162		4,450	6,110

Key management includes 9 (2013: 9) members of the Board and Senior Management.

34. Events after the end of the reporting period

On 11 February 2014, the amendment to the credit agreement was signed with the bank on the increase of the overdraft limit to EUR 1,000,000 and the extension of the repayment term until 31 January 2016, the increase of the credit limit to EUR 24,000,000, and the extension of the validity term of the credit limit agreement until 15 February 2016. The total credit limit amounts to EUR 25,000,000. Interest rate established remained unchanged.