JOINT STOCK COMPANY OLAINFARM

(UNIFIED REGISTRATION NUMBER 40003007246)

CONSOLIDATED AND PARENT COMPANY'S ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

(19th financial year)

PREPARED IN ACCORDANCE WITH

INTERNATIONAL FINANCIAL REPORTING STANDARDS, AS ADOPTED BY THE EU

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

Olaine, 2016

EY
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INDEPENDENT AUDITORS' REPORT

To the shareholders of AS Olainfarm

Report on the financial statements

We have audited the accompanying consolidated financial statements of AS Olainfarm and its subsidiaries (the "Group") and the accompanying financial statements of AS Olainfarm (the Parent Company), set out on pages 23 through 71 of the accompanying 2015 Consolidated Annual Report, which comprise the Group and the Parent Company's statement of comprehensive income, statement of financial position as at 31 December 2015, statement of changes in equity, statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Basis for qualified opinion

As discloses in Note 20 to the consolidated financial statements and the Parent Company's financial statements, the balance sheet as at 31 December 2015 includes a receivable from the related company OOO Olfa amounting to EUR 8.3 million. As at 31 December 2015 and in the previous years OOO Olfa had a negative equity. To ensure the recoverability of the receivable, AS Olainfarm entered into an international non-recourse factoring agreement with LAS Trasta komercbanka. As at 31 December 2015, the receivable from OOO Olfa of EUR 6.6 million was secured by the factoring agreement without a factoring advance payment from LAS Trasta komercbanka (the factor). Based on the decision of the European Central Bank, dated 3 March 2016, the licence of this credit institution was withdrawn. Taking into account the financial situation of OOO Olfa and suspension of the license of LAS Trasta komercbanka, we were not able to obtain sufficient audit evidence to verify whether the receivable from OOO Olfa was fully recoverable as at 31 December 2015.

Qualified opinion

In our opinion, except for the possible effects of the matters described in the Basis for qualified opinion paragraph, the consolidated financial statements and separate financial statements give a true and fair view of the financial position of the Group and the Parent Company as of 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

Furthermore, we have read the management report for the year ended 31 December 2015 (set out on pages 13 through 21 of the accompanying 2015 Consolidated Annual Report) and have not noted any material inconsistencies between the financial information included in it and the financial statements for the year ended 31 December 2015.

We have assured ourselves that the Group has prepared the corporate management report for the year 2015 and verified information presented in the report according to the requirements listed in the section 56.1 first paragraph clauses 3, 4, 6, 8 and 9 and in the section 56.2 second paragraph clause 5 in the Law on Financial Instruments Market.

SIA Ernst & Young Baltic
Licence No. 17

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

Riga, 29 April 2016

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General information

Name of the Parent company	OLAINFARM
Legal status of the Parent company	JOINT STOCK COMPANY
Unified registration number, place and date of registration of the Parent company	40003007246 Riga, 10 June 1991 (re-registered on 27 March 1997)
Registered office of the Parent company	Rūpnīcu iela 5 Olaine, Latvia, LV-2114
Major shareholders of the Parent company	SIA Olmafarm (42.56%) Valērijs Maligins (26.92%) Swedbank AS EE Clients account (11.99%) Swedbank AS LV Clients account (1.05%)
Major subsidiaries of the Parent company	SIA Latvijas aptieka (100% equity share) SIA Silvanols (96.69% equity share)

Board

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

Valērijs Maligins

Valērijs Maligins is the Chairman of the Management Board of JSC Olainfarm. He has obtained a Doctoral Degree in Economics at NewPort International University, Baltic Center (2007), as well as a Master's Degree in economics and social sciences (University of Latvia, 2002), Bachelor's degree in economics and finances (RSEBAA 1998). V. Maligins has more than 25 years of experience in pharmaceutical sector and holds leading positions at JSC Olainfarm since 1997.

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

Number of shares of JSC Olainfarm owned (as of December 31, 2015):
- directly: 3 791 810
- indirectly (through SIA Olmafarm): 5 994 054

total: 9 785 864

Participation in other companies:
SIA Lano Serviss (25%)
SIA Vega MS (59.99%)
SIA Briz (9.02%)
SIA Olfa Press (47.5%)
SIA Carbochem (50%)
SIA Aroma (99.21%, from 09.11.2015 – 100%)
SIA Olmafarm (100%)
SIA Escargot (33.5%)
SIA Olalex (50%)
SIA Energo Capital (50%)

Jeļena Borcova

Jeļena Borcova is a member of the Parent Company's Management Board and a qualified person. J. Borcova has a degree in Pharmacy (Medical Institute of Riga, 1988). J. Borcova has more than 20 years of experience in pharmaceutical production.

Positions held in other companies: none

Number of shares of JSC Olainfarm owned (as of December 31, 2015): 1 450
Participation in other companies: none

Salvis Lapiņš

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

Positions held in other companies:
SIA Baltic Team-Up, Procuration holder

Number of shares of JSC Olainfarm owned (as of December 31, 2015): 30 951

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

Veranika Dubitskaya

Veronika Dubicka (Veranika Dubitskaya) is a member of the Parent Company's Management Boar and Director of Marketing Department. Previously has worked in the Parent company's representative office in Belarus since 2005. From 2005 till 2006 V. Dubitska held a post of the medical representative, since 2006 till July, 2009 a post of the products' manager, and since July, 2009 till May, 2011 was the principal of the representative office in Belarus.

Positions held in other companies:
SIA Olalex, Board Member (from 04.01.2016)

Number of shares of JSC Olainfarm owned (as of December 31, 2015): 1 000
Participation in other companies: none

Inga Liščika (Board Member until 20.11.2015)

Inga Liščika – a member of the Parent Company's Management Board and a Chief Executive Officer until 20.11.2015. I. Liščika has been studying the Professional Management programme at English „Open University". I. Liščika is a Master of Business Economics (Riga Technical University 1997) and a civil engineer (1995).

Positions held in other companies:
SIA Pharma and Chemistry Competence Centre of Latvia, Council Member
SIA First Class Lounge, Board Member (until 28.12.2015)
SIA Olalex, Board Member (until 04.01.2016)
SIA Carbochem, Board Member (until 28.12.2015)

Number of shares of JSC Olainfarm owned (as of December 31, 2015): 1 302
Participation in other companies: none

Marjana Ivanova-Jevsejeva (Board Member from 20.11.2015 until 25.02.2016)

Marjana Ivanova-Jevsejeva - a member of the Parent Company's Management Board from 20.11.2015 until 25.02.2016. Previous positions of M.Ivanova-Jevsejeva include Member of Latvian Parliament, Socioeconomics analyst at Fenster publishing house and Project manager at Daugavpils city Council. Educational background of M. Ivanova-Jevsejeva includes Master degrees of Public Administration and Social sciences from University of Daugavpils and BBA degree of Baltic Russian Institute.

Positions held in other companies:
SIA Aroma, Board Member (from 25.11.2015 until 25.02.2016)
SIA Carbochem, Liquidator (from 08.01.2016)

Number of shares of JSC Olainfarm owned (as of December 31, 2015): 0
Participation in other companies: none

Oļegs Grigorjevs (Board Member from 25.02.2016)

Oļegs Grigorjevs is a member of the Parent Company's Management Board from 25.02.2016 and of Director of Commercial Department, having more than 20 years of experience in chemical and pharmaceutical sector. Mr. Grigorjevs joined Olainfarm in 2001. His previous career included sales units of SIA Aroma (1996 – 2000) and SIA Grif (2000 – 2001). Olegs Grigorjevs has a degree in Economics from Moscow Institute of Communications and Informatics.

Positions held in other companies:
SIA Latvijas Aptieka, Chairman of the Board

Number of shares of JSC Olainfarm owned (as of December 31, 2015): 0
Participation in other companies: none

Council

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

Valentīna Andrējeva, the Chairperson of the Council

Valentīna Andrējeva, the Doctor of Economics of the Riga Technical University (Dr.oec.) - 2006, and has also degree of Master of Economic Sciences in management of the enterprise activity, received at the Riga Technical University in 2011, a speciality of the engineer-economist which she received in 1976 at the Riga Polytechnical Institute.

Positions held in other companies:
JSC Riga Shipyard, Council Member

Number of shares of JSC Olainfarm owned (as of December 31, 2015): 0
Participation in other companies: none

Ingrīda Circene, Deputy Chairperson of the Council

Ingrīda Circene used to be Minister for Health of Latvia and member of several Saeima. I. Circene has graduated Riga Medical Institute and Riga Commerce School.

Positions held in other companies: none

Number of shares of JSC Olainfarm owned (as of December 31, 2015): 0
Participation in other companies: none

Aleksandrs Raicis

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

Positions held in other companies:
SIA Briz, Board Member

Number of shares of JSC Olainfarm owned (as of December 31, 2015): 0
Participation in other companies:
SIA VIP Pharma (50%)
SIA Recesus (30%)
SIA Briz (7.92%)

Volodimir Krivozubov

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

Positions held in other companies:
OOO Torgovije Tehnologii (Ukraine), General Director

Number of shares of JSC Olainfarm owned (as of December 31, 2015): 0
Participation in other companies: none

Gunta Veismane

Gunta Veismane in 1975 graduated from the University of Latvia, Faculty of Economics, in 1993 year - Harvard University, HBS Management, Strategic management and organisational Psychology course; 1996 - MBA, University of Latvia

Positions held in other companies:
University College of Economics and Culture, Rector

Number of shares of JSC Olainfarm owned (as of December 31, 2015): 0
Participation in other companies: none

Movements in the Board	On July 17, 2015 the Council made a decision to extend duration of the JSC Olainfarm Board (present composition) for the upcoming five-year period. The Council made a decision effective on November 20, 2015 to release Inga Liščika from the position of Board Member and appoint Marjana Ivanova-Jevsejeva as a Board Member. The Council made a decision effective on February 25, 2016 to release Marjana Ivanova-Jevsejeva from the position of Board Member and appoint Oļegs Grigorjevs as a Board Member.
Movements in the Council during the reporting period	None

Consolidated subsidiaries	**SIA First Class Lounge** (100%) Rūpnīcu iela 5, Olaine, LV-2114, from 23.07.2012
	SIA Ozols JDR (100%) Zeiferta iela 18B, Olaine, LV-2114, from 18.10.2010
	SIA Silvanols (96.69% equity share, till 28.08.2014 - 70.88%) Kurbada iela 2A, Rīga, LV-1009, from 31.05.2013
	SIA Latvijas aptieka (100%) Rūpnīcu iela 5, Olaine, LV-2114, from 02.11.2011
	SIA Aptieka Ālante (100%) Rīgas iela 27A-1, Pļaviņas, LV-5120, from 31.07.2015
	SIA Jūras aptieka (100%) J.Poruka iela 13, Ventspils, LV-3601, from 22.12.2015
	SIA Nikafarm (100%) Kūdras iela 16, Olaine, LV-2114, from 21.04.2015
	SIA Nikapharm, formerly SIA Viļakas Aptieka (100%) Rūpnīcu iela 5, Olaine, LV-2114, from 11.11.2015
	OOO Olainfarm Azija (100%) Frunze street 340, Sverdlova district, Biškeka, Kyrgyzstan, from 03.12.2014
	MMC Olainfarm Azerbaijan (100%) Xocali street 55-1145, Baku, AZ-1025, Azerbaijan, from 09.07.2015
	UAB Olainfarm-Lietuva (100%) J. Savickio g. 4, Vilnius, LT-01108, Lithuania, from 27.03.2015
	OLAINFARM ILJAČ VE TIBBI URJUNLERI SANAJI VE TIDŽARET LIMITED ŠIRKETI (99%) Kirbis Šehitleri. Džaddesi Nr.134/1, Daire: 204, Alsandžaka /IZMIRA, Turkey, from 07.02.2012
Associated entities	**SIA Olainfarm enerģija** (50%) Rūpnīcu iela 5, Olaine, LV-2114, from 15.09.2010.
	SIA Pharma and Chemistry Competence Centre of Latvia (30%) JSC Olainfarm 11% from 11.08.2010, SIA Silvanols 19% from 09.05.2011 Dzirnavu iela 93-27, Rīga, LV-1011
Core business activity	Manufacture of basic pharmaceutical products and pharmaceutical preparations
Audit Committee	Viesturs Gurtlavs (from 29.04.2014) Žanna Karaseva (until 29.04.2014)
Financial year	1 January – 31 December 2015
Auditors	Iveta Vimba Member of the Board Latvian Certified Auditor Certificate No. 153
	SIA Ernst & Young Baltic Muitas iela 1A, Riga Latvia, LV-1010 Licence No. 17

Major shareholders

	Share holding
Swedbank AS Clients Account	13.04%
SIA Olmafarm	42.56%
V. Maligins	26.92%
Other shareholders	17.48%
Total	100.00%

Management report

General information

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

At the end of the reporting period the Group consisted mainly from the parent company JSC Olainfarm (hereinafter – the Parent company) and its subsidiaries pharmaceutical retail company SIA Latvijas aptieka, food supplement company SIA Silvanols and travel agency SIA First Class Lounge. In December 2014 in Kyrgyzstan a subsidiary named Olainfarm Azija was established, while in March 2015 a subsidiary Olainfarm-Lietuva in Lithuania was opened and in July 2015 subsidiary Olainfarm Azerbaijan was opened. Main activity of the new subsidiaries is promotion of products of JSC Olainfarm and its partners in respective markets. During the reporting period 100% of shares in SIA Nikafarm, SIA Aptieka Ālante, SIA Jūras Aptieka and SIA Nikapharm were acquired, these companies own pharmacies in Olaine, Plavinas, Ventspils and Vilaka respectively.

Corporate mission and vision

Corporate mission:

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

Corporate vision:

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

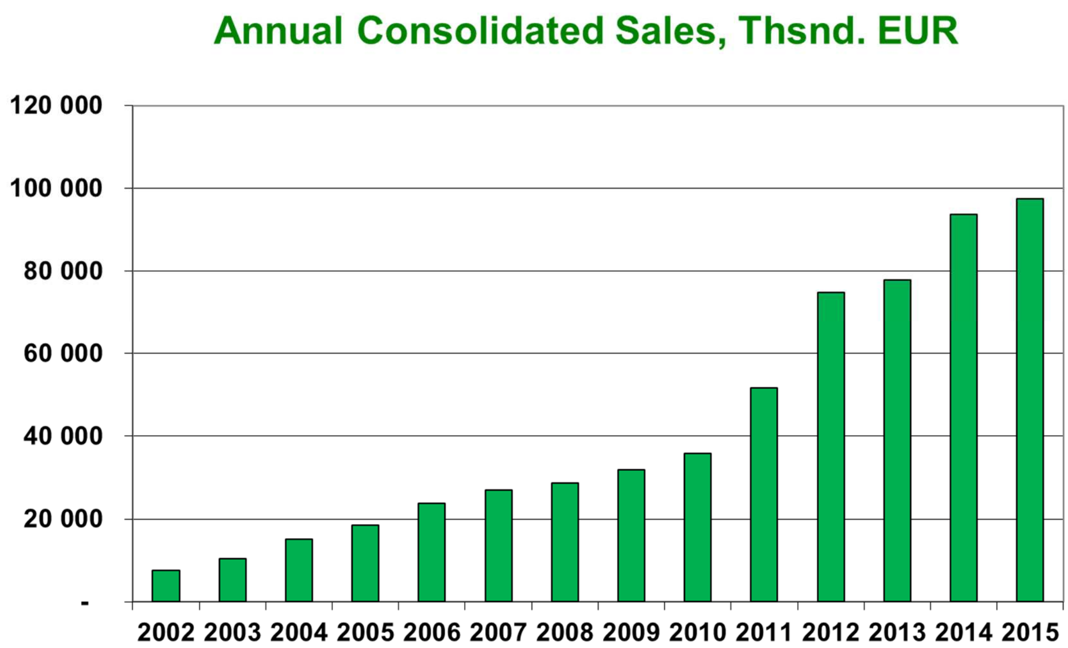
Parent company's Corporate Governance Report is available at www.olainfarm.lv.

Operational environment

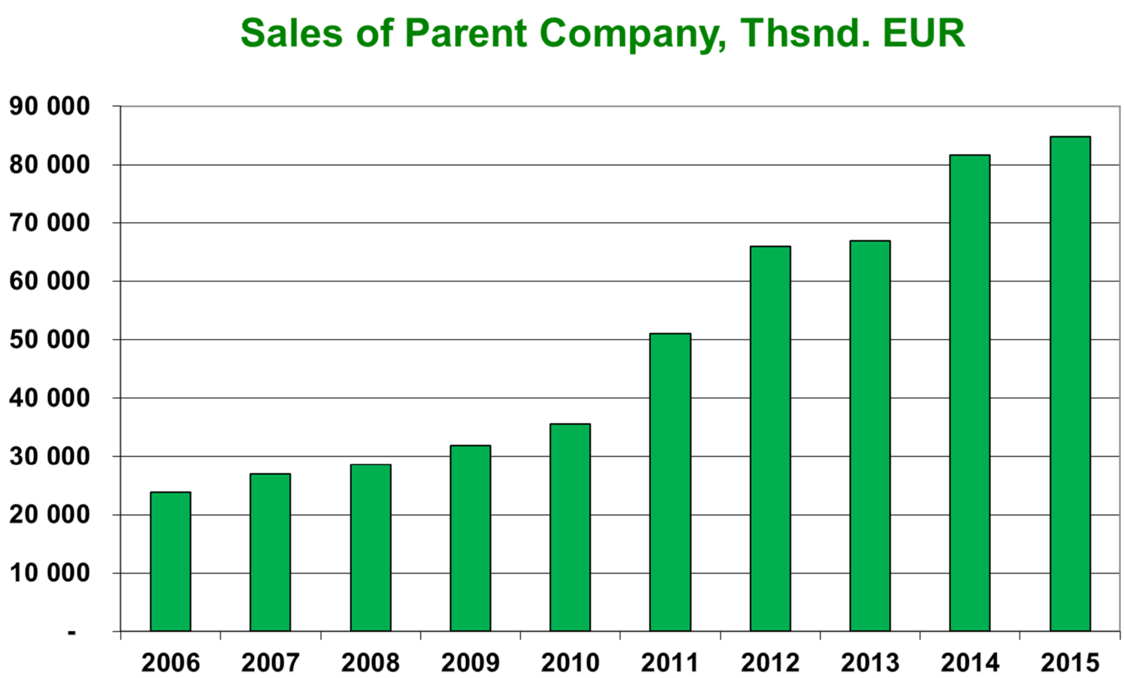
During the reporting period, the operational environment remained turbulent in all crucial CIS markets. Local currencies remained considerably turbulent in Russia, Belarus, Ukraine and Kazakhstan. Belarus continues tightening imports of several products, including pharmaceuticals. Only because of increased marketing activities, the Group managed to maintain the same level of sales in Russia and increase sales a little in Kazakhstan (by 7%). Sales in Ukraine dropped by 7%, while sales to Belarus dropped by 19%.

Financial results

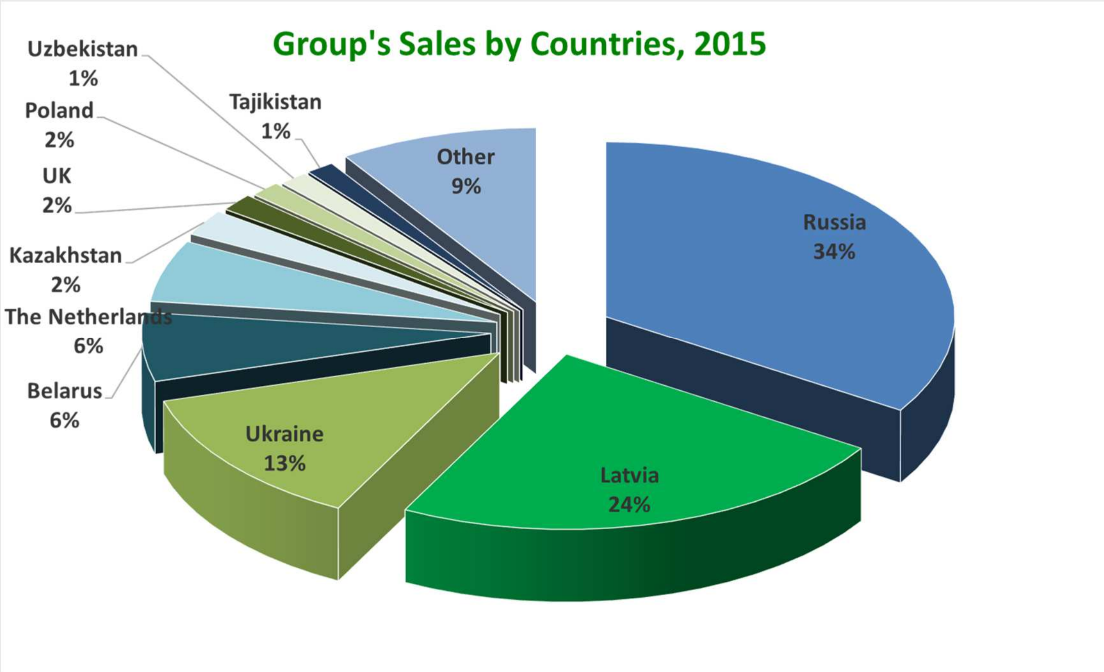
During 2015, the sales volumes grew by 4% compared to 2014 and reached 97.4 million euros. Although the annual sales target was not met, 2015 in terms of sales has been the most successful for the Group so far. Successful operations in Latvia and Central Asian countries and good cooperation with the World Health Organization's anti-tuberculosis program are the key driving forces behind such increase.



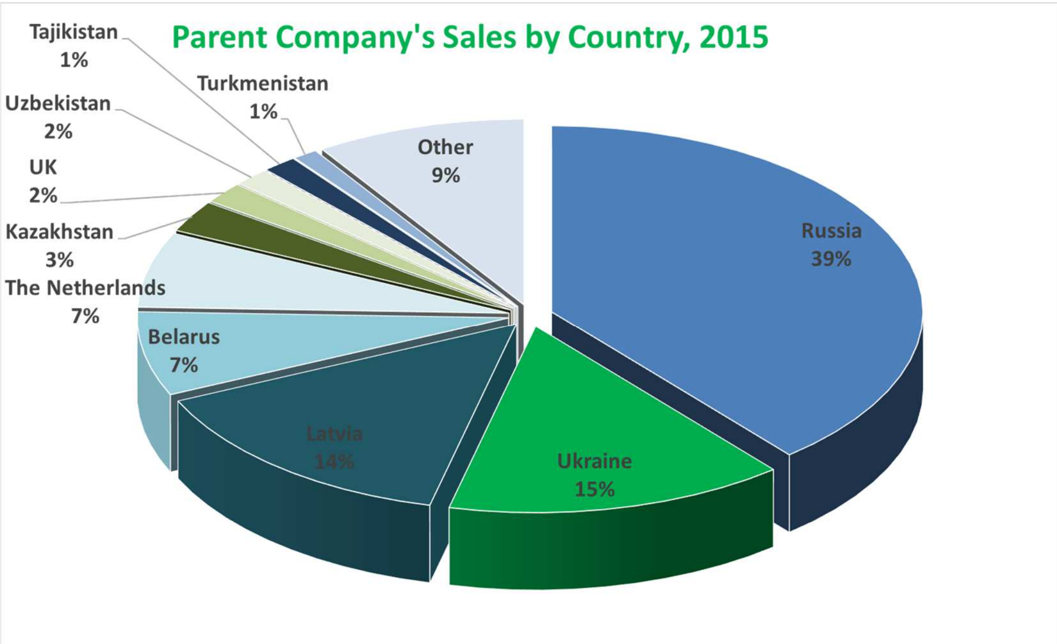
Sales of the Group in 2015 grew slightly faster than that of the Parent company, as the latter grew by 3.82% to 84.7 million euros, which is the highest sales of the Parent company in corporate history. Sales guidance approved by the AGM for the Parent company was 87 million euros, which means that some 2.6% were missing to reach the guidance.



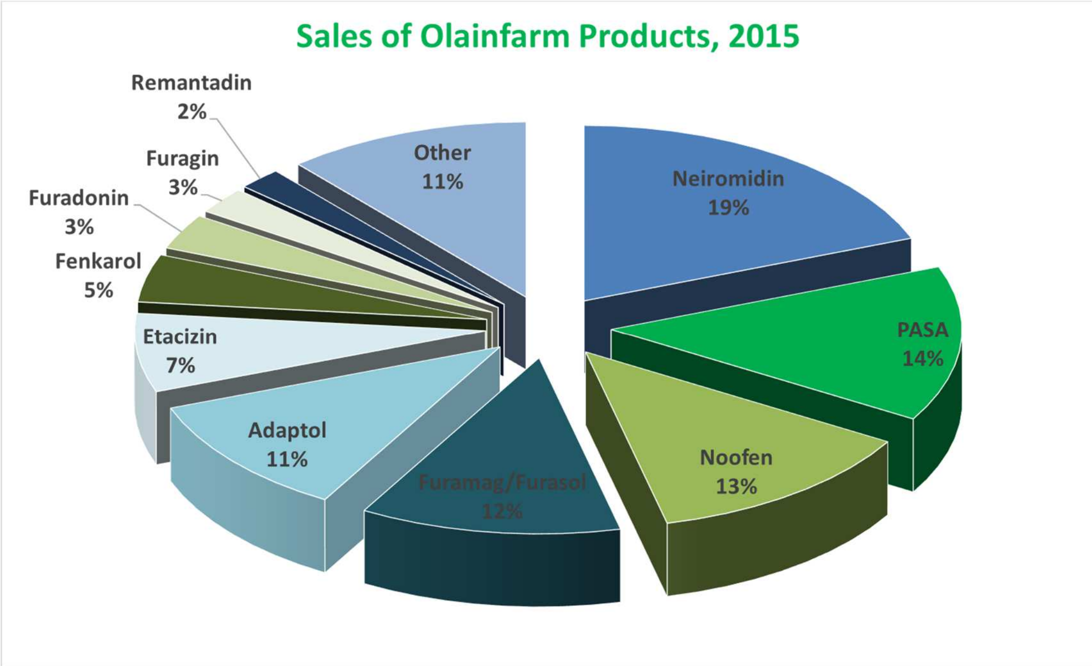
During 2015 Group's sales grew in Latvia (by 11%), the Netherlands (WHO shipments, by 107%), Kazakhstan (by 7%), Tajikistan (by 39%), Uzbekistan (by 3%) and other countries (by 23% on average). Sales have been shrinking to Ukraine (by 7%), Belarus (by 19%), UK (by 6%), Poland (by 13%) and Russia (by 1%). Sales split by countries has remained relatively unchanged with minor redistribution of shares among the biggest markets.



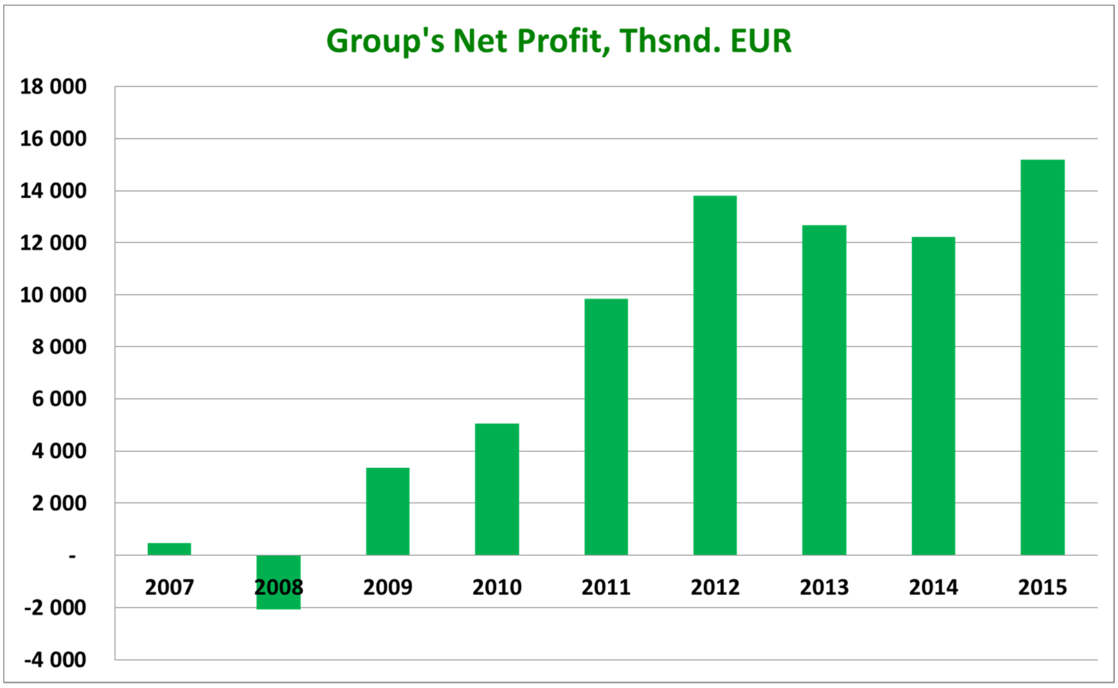
During the year, sales of the Parent company have been growing the most in the Netherlands, which demonstrated 107% sales growth. Sales to Turkmenistan grew by 46%, while sales to Tajikistan grew by 39%. Significant sales growth has also been achieved in Latvia, where sales of the Parent company grew by 25%. The major reduction in sales of the Parent company were experienced in Belarus, where sales shrunk by 19% and Ukraine, where sales shrunk by 7%.



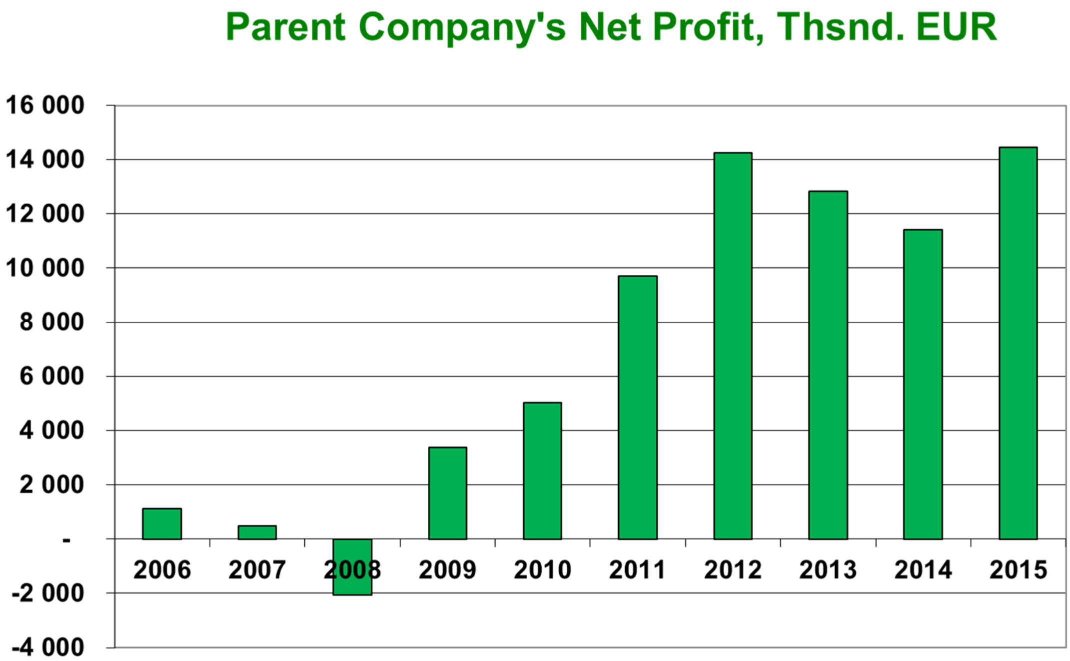
No significant changes have been occurring to the list of best-selling products. Share of all 10 bestselling products has remained on level of 89% of sales of JSC Olainfarm products. Due to increased demand for anti-tuberculosis product PASA Sodium salt, this product has become the second best-selling product with a total share of 14% of all Olainfarm products sold (6% in year 2014).



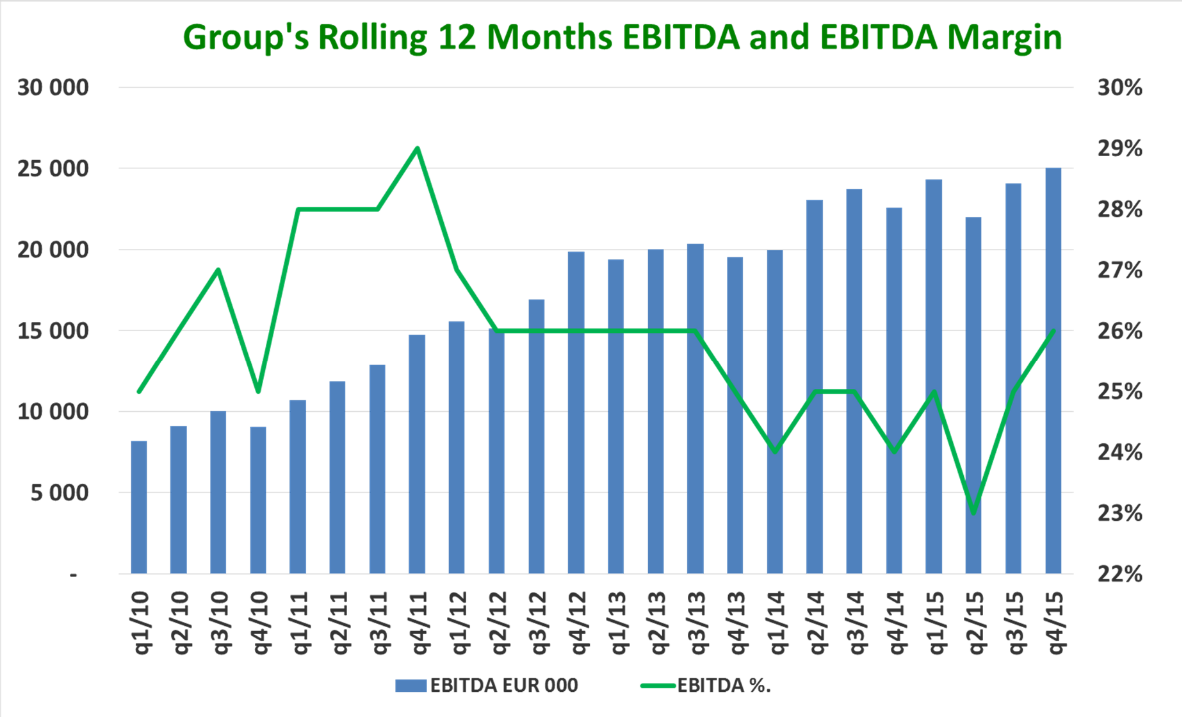
Because of very profitable first quarter of 2015 and rather stable other quarters, not only has the company managed to exceed last year's profit, but it has also set a new annual profit record of 15.3 million euros. This implies that not only the profit target of 15 million has been surpassed by 281 thousand euros, but also that last year's profit has been surpassed by 25% and the profit of 2012, which previously has been the most profitable year, was surpassed by 8%.



Profit of the Parent company too has set a new record of 14.6 million euros, which implies that previously set profit guidance for the Parent company has been exceeded by 600 thousand euros and that profit of 2014 has been exceeded by 28%.



Financial success is also reflected in Group's EBITDA numbers. A new EBITDA record has been set in 2015 at the number exceeded 24.9 million for the first time. EBITDA margin has also returned to rather high level of 26%.



This is how other indicators have changed during the reporting period:

The Group:

Financial indicator for period	2015	2014	% to previous period	2013
Sales, EUR '000	97 392	93 654	104%	77 956
Net profit, EUR '000	15 281	12 237	125%	12 732
EBITDA, EUR '000	24 884	22 564	110%	19 516
EBIT, EUR '000	18 786	18 384	102%	16 129
Gross margin	66.8%	68.3%		67.9%
EBITDA margin	25.6%	24.1%		25.0%
EBIT margin	19.3%	19.6%		20.7%
Net margin	15.7%	13.1%		16.3%
ROA	12.9%	11.5%		13.3%
ROE	17.3%	16.8%		20.6%
Current ratio	3.4	2.5		2.4
EPS, EUR	1.08	0.87	125%	0.90
Share price at period end, EUR	7.11	5.93	120%	7.06
P/E	6.6	6.8		7.8
Market capitalisation at period end, EUR '000	100 145	83 525	120%	99 441
P/B	1.1	1.1		1.6

The Parent company:

Financial indicator for period	2015	2014	% to previous period	2013
Sales, EUR '000	84 746	81 625	104%	66 879
Net profit, EUR '000	14 566	11 424	128%	12 846
EBITDA, EUR '000	23 548	21 484	110%	19 236
EBIT, EUR '000	17 830	17 712	101%	16 165
Gross margin	69.3%	72.1%		73.6%
EBITDA margin	27.8%	26.3%		28.8%
Net margin	17.2%	14.0%		19.2%
EBIT margin	21.0%	21.7%		24.2%
ROA	12.8%	11.1%		14.2%
ROE	16.5%	15.5%		20.6%
Current ratio	3.9	2.9		2.9
EPS, EUR	1.03	0.81	128%	0.91
Share price at period end, EUR	7.11	5.93	120%	7.06
P/E	6.9	7.3		7.8
Market capitalisation at period end, EUR '000	100 145	83 525	120%	99 441
P/B	1.1	1.1		1.6

Neither the Parent company, nor the Group has set the specific target of debt/equity ratio; therefore, this ratio has not been included in the tables above.

Annual meeting of shareholders of JSC Olainfarm held on June 11, 2015 approved operating plan of the Group for 2015. According to it, sales of the Group in 2015 are planned to be 100 million euros, but the net profit will reach 15 million euros. According to this audited report for 2015, during this period 97.4% of annual sales target is met and annual profit target is exceeded by 1.9%. At the same meeting targets for Parent company's operations were approved, stating that Parent company's sales target is 87 million euros, but the profit target is 14 million euros. According to these accounts, Parent company met 97.4% of sales target but exceeded its profit target by 4%.

Dividends

During the reporting period JSC Olainfarm was not paying any dividends. In previous years the dividends were paid, among others, from the profits of 2012. 0.152 euros per share were paid, which corresponds to approximately 15% of the net profit of 2012. The pay-out ratio of 12.5% was applied to the profit of 2011, and the pay-out ratio of 10% was applied to the profit of 2010. Although the Group does not have a formally approved dividend policy, the management of the Parent company made a commitment, that if no adversely impacting factors are present, the pay-out ratio will be increased by 2.5 percentage points every year, until the pay-out ratio reaches 25%. However, the recent destabilization of situation in two main markets of the Group, namely Russia and Ukraine, as well as rather ambitious CAPEX plans for upcoming years made management to propose putting the dividend payment scheme on hold until distribution of profit of 2015. As this report is prepared, the Board maintains intentions to offer 17.5% pay-out ratio for approval by shareholders. The Board's intention also is to propose for the shareholders' approval to transfer the EUR denomination reserve of 322 thsd. EUR from Reserves to Retained earnings available for distribution to shareholders.

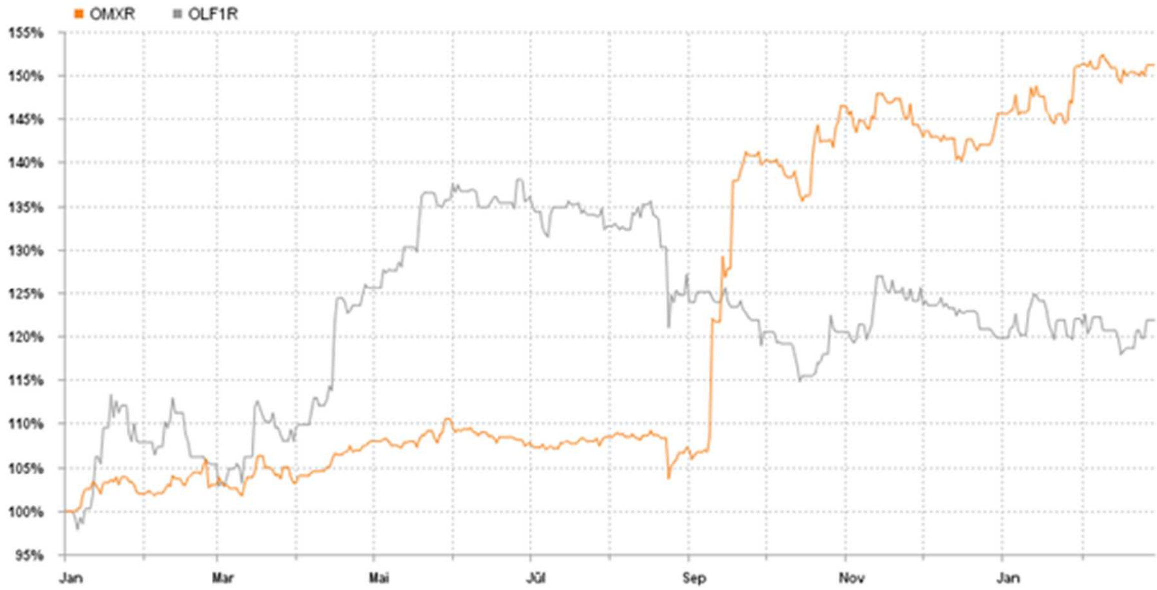
Shares and stock market

Stability of financial performance over the last three years are reflected in fluctuations of price of Company's shares on NASDAQ OMX Riga, as during this period the price of share increased by more than 35%. During the reporting period, share price mainly fluctuated between 7.00 EUR and 8.00 EUR per share, reaching its low of 5.81 per share at the beginning of the year. On June 1, 2015 the historic maximum of 8.70 EUR was reached. During the reporting period 2 547 trades were made with Olainfarm's shares. During the preparation of this report, the share price fluctuates around 7.20 EUR.

Development of Price of Share of JSC Olainfarm,
Three Years to the End of Reporting Period

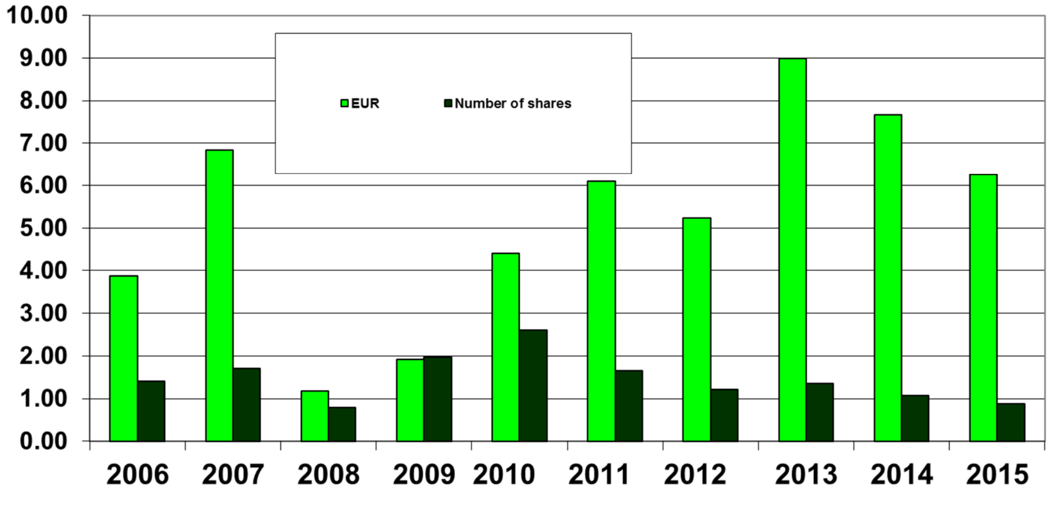
Up until the middle of September 2015 price of Olainfarm's share grew much faster than did OMX Riga index. However, expectations about buyback of Ventspils Nafta shares, among other things caused significant increase in value of the said index, after which OMX Riga has outperformed Olainfarm's share in terms of growth. As a result during the year price of Olainfarm's share grew almost by 22%, while OMX Riga index grew by 51%.

Rebased price of Olainfarm share vs. rebased OMX Riga index (Reporting period)



-- OMX Riga
-- AS Olainfarm

Trading of Shares on Nasdaq Riga, Mln.



During 2015 more than 876 000 shares of JSC Olainfarm worth more than 6.2 million euros were traded on Nasdaq Riga. Both of these indicators are falling for the second year in a row.

Development

During the reporting period registration processes have been launched in Bosnia and Herzegovina, Vietnam, Myanmar; GMP audit by Turkish pharmaceutical authorities has been passed, and bioavailability tests for Turkish registration completed, allowing the Parent company to proceed with registration in Turkey. New forms have been developed for Gripoflex 325 (with reduced content of paracetamol), ACC 200mg powder, and lactose free Memantine tablets of 10mg and 20mg. The work continues at development of new combined prolonged activity form of nitrofurantoin. Two new food supplements have been developed and registered in Baltic countries with urological and hepatological application. Food supplement Jogurt Babydrops has been registered in the Baltics and is planned for further registration in 14 countries.

During the 4th quarter alone 4 registration processes have been completed in Tajikistan, Turkmenistan and Moldova, files are being prepared for South Africa, Croatia and Iraq.

Future outlook

Taking into consideration the geopolitical reality and ever increasing protectionist tendencies a further diversification of sales markets increasingly is a priority. During 2016 and subsequent years the Group plans to continue all efforts targeted at implementation of new products, entering new markets, making a little more emphasis on cooperation with other producers in distribution of their products on CIS and other markets. After the end of the reporting period, the exports were commenced to Mongolia and Kosovo, registration processes in Turkey and other countries are successfully continuing. More attention is being paid to possible acquisition of a company, whose sales markets or products are significantly different from or synergic to those of JSC Olainfarm.

Environment

During the reporting period, data safety sheets have been prepared for almost 40 substances, more than 20 internal environmental audits have been conducted and preparations of design for new wastewater treatment facility with most environmentally friendly technologies is continued.

Social responsibility

During the reporting period the Parent company continued supporting development of new professionals of Riga Stradins University and Riga Technical University and University of Latvia with scholarships. JSC Olainfarm has become one of the supporters of Engineering college of Riga Technical University.

Promoting health care and healthy practices JSC Olainfarm co organized Annual Health Awards and Annual Medical Awards, sponsored young tennis and football players, supported international Strongman Championship League, jogging festival Olaines Apli, and sports dance contest Dance Art Cup.

JSC Olainfarm helped Inese Galante Foundation to continue searching for new musical talents in Latvia and supported celebrations of Town Anniversary of Olaine.

Employees of the Group were active blood donors during Blood Donor's Day, co organized by the Parent company semi-annually.

Demonstrating that healthy life style is high among company's values, JSC Olainfarm Latvian Cycling festival in Olaine and Jurmala Running Festival. The company also continued supporting several important cultural events, including music festivals "Rigas Ritmi" and "Summertime", we have also become a General Sponsor of 95th season of Latvian Dailes Theatre.

Events after the end of the reporting period

During January 100% of shares in companies SIA Rupes Farm, owning one pharmacy in Riga and in SIA Kiwi Cosmetics, engaged in development and production of eco-cosmetics were acquired.

In February Marjana Ivanova-Jevsejeva left the position of Board Member of the Parent company by mutual agreement. She was replaced by long term Commercial director of the company Mr. Olegs Grigorjevs.

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

Olegs Grigorjevs
Member of the Board

AKCIJU SABIEDRĪBA «OLAINFARM»
OlainFarm
LATVIJAS REPUBLIKA

29 April 2016

Statement of Responsibility of the Management

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

- selects suitable accounting policies and then applies them consistently;
- makes judgments and estimates that are reasonable and prudent;
- prepares the financial statements on the going concern basis unless it is inappropriate to presume that the Parent company and the Group will continue in business.

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

For the Board of JSC Olainfarm:

Oļegs Grigorjevs
Member of the Board

29 April 2016

Financial statements

Statement of comprehensive income

	Note	Group 2015	Group 2014	Parent company 2015	Parent company 2014
		EUR '000	EUR '000	EUR '000	EUR '000
Net revenue	5	97 392	93 654	84 746	81 625
Cost of goods sold		(32 315)	(29 683)	(25 979)	(22 791)
Gross profit		**65 077**	**63 971**	**58 767**	**58 834**
Selling expense	6	(28 202)	(28 356)	(23 742)	(24 063)
Administrative expense	7	(18 965)	(16 198)	(18 118)	(15 286)
Other operating income	8	2 715	1 788	2 487	1 274
Other operating expense	9	(1 957)	(2 974)	(1 864)	(3 047)
Share of profit of an associate	17	118	153	-	-
Income from investments in subsidiaries	17	-	-	300	-
Financial income	10	262	187	261	183
Financial expense	11	(1 404)	(4 728)	(1 352)	(4 691)
Profit before tax		**17 644**	**13 843**	**16 739**	**13 204**
Corporate income tax	12	(2 110)	(2 266)	(1 976)	(2 247)
Deferred corporate income tax	12	(245)	657	(197)	467
Profit for the reporting period		**15 289**	**12 234**	**14 566**	**11 424**
Other comprehensive income for the reporting period		**-**	**-**	**-**	**-**
Total comprehensive income for the reporting period		**15 289**	**12 234**	**14 566**	**11 424**
Total comprehensive income attributable to:					
The equity holders of the Parent company		15 281	12 237	14 566	11 424
Non-controlling interests		8	(3)	-	-
		15 289	**12 234**	**14 566**	**11 424**
Basic and diluted earnings per share, EUR	14	1.08	0.87	1.03	0.81

The accompanying notes form an integral part of these financial statements.

For the Board of JSC Olainfarm:

Olegs Grigorjevs
Member of the Board

29 April 2016

Statement of financial position

ASSETS	Note	Group 31.12.2015	Group 31.12.2014	Parent company 31.12.2015	Parent company 31.12.2014
NON-CURRENT ASSETS		**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**
Intangible assets					
Goodwill		7 825	6 660	-	-
Patents		136	145	136	145
Pharmacy licenses and lease contracts		10 014	9 526	-	-
Other intangible assets		1 977	1 810	1 445	1 297
Intangible assets under construction		542	473	532	433
Prepayments for intangible assets		97	234	97	234
TOTAL	15	**20 591**	**18 848**	**2 210**	**2 109**
Property, plant and equipment					
Land, buildings and constructions		16 505	17 513	15 786	16 967
Equipment and machinery		12 305	10 102	12 026	9 723
Other tangible assets		2 255	2 384	1 848	2 113
Leasehold investments		133	226	6	-
Construction in progress		3 914	2 592	3 914	2 592
Prepayments for property, plant and equipment		467	1 857	467	1 857
TOTAL	16	**35 579**	**34 674**	**34 047**	**33 252**
Financial assets					
Investments in subsidiaries	17	-	-	17 728	15 838
Loans to related and associated companies	34	79	173	79	312
Loans to management and shareholders	34	3 868	3 626	3 868	3 626
Investments in associated companies	17	482	363	2	2
Non-current receivables	20	-	-	37	-
Prepayments and prepaid expense	21	129	-	318	-
Other non-current financial assets		352	72	350	70
TOTAL		**4 910**	**4 234**	**22 382**	**19 848**
TOTAL NON-CURRENT ASSETS		**61 080**	**57 756**	**58 639**	**55 209**
CURRENT ASSETS					
Inventories					
Raw materials		2 747	2 685	2 438	2 425
Work in progress		9 742	8 850	9 636	8 835
Finished goods and goods for resale		8 277	6 786	6 786	5 599
Goods in transit		65	-	65	-
Prepayments for goods		159	372	54	313
TOTAL	19	**20 990**	**18 693**	**18 979**	**17 172**
Receivables					
Trade receivables and receivables from associated and other related companies	20	26 066	26 022	26 701	26 837
Prepayments and prepaid expense	21	1 551	537	1 719	1 065
Other receivables	22	862	684	668	547
Corporate income tax		333	45	412	-
Loans to management, employees and shareholders	23	1 675	865	1 657	543
Loans to related and associated companies	34	-	66	21	85
TOTAL		**30 487**	**28 219**	**31 178**	**29 077**
Cash	24	**5 574**	**2 055**	**5 015**	**1 745**
TOTAL CURRENT ASSETS		**57 051**	**48 967**	**55 172**	**47 994**
TOTAL ASSETS		**118 131**	**106 723**	**113 811**	**103 203**

The accompanying notes form an integral part of these financial statements.

For the Board of JSC Olainfarm:

Olegs Grigorjevs
Member of the Board

29 April 2016

Statement of financial position

		Group		Parent company	
EQUITY AND LIABILITIES	Note	**31.12.2015**	**31.12.2014**	**31.12.2015**	**31.12.2014**
EQUITY		**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**
Share capital	25	19 719	20 041	19 719	20 041
Share premium		2 504	2 504	2 504	2 504
Reserves	25	322	-	322	-
Retained earnings:					
brought forward		50 492	38 255	51 355	39 931
for the period		15 281	12 237	14 566	11 424
TOTAL		88 318	73 037	88 466	73 900
Non-controlling interests		30	8	-	-
TOTAL EQUITY		**88 348**	**73 045**	**88 466**	**73 900**
LIABILITIES					
Non-current liabilities					
Loans from credit institutions	26	8 253	10 192	7 779	10 168
Deferred corporate income tax liabilities	12	1 947	1 640	635	438
Deferred income	29	2 656	2 099	2 604	2 032
Finance lease liabilities	27	307	195	272	193
TOTAL		**13 163**	**14 126**	**11 290**	**12 831**
Current liabilities					
Loans from credit institutions	26	4 108	6 748	3 452	5 548
Finance lease liabilities	27	150	158	141	152
Prepayments received from customers		268	1 138	261	1 124
Trade payables and payables to associated and other related companies	32	7 188	7 979	5 436	6 474
Taxes payable	28	981	745	819	596
Corporate income tax	28	-	-	-	70
Deferred income	29	800	419	785	402
Accrued liabilities	31	3 125	2 365	3 161	2 106
TOTAL		**16 620**	**19 552**	**14 055**	**16 472**
TOTAL LIABILITIES		**29 783**	**33 678**	**25 345**	**29 303**
TOTAL EQUITY AND LIABILITIES		**118 131**	**106 723**	**113 811**	**103 203**

The accompanying notes form an integral part of these financial statements.

For the Board of JSC Olainfarm:

Olegs Grigorjevs
Member of the Board

29 April 2016

AKCIJU SABIEDRĪBA "OLAINFARM" OlainFarm LATVIJAS REPUBLIKA

Statement of cash flows

	Note	Group		Parent company	
		2015	2014	2015	2014
		EUR '000	EUR '000	EUR '000	EUR '000
Cash flows to/from operating activities					
Profit before taxes		17 644	13 843	16 739	13 204
Adjustments for:					
Amortization and depreciation	15, 16	6 098	4 180	5 718	3 772
Loss/ (profit) on sale/ disposal of non-current assets		772	154	723	94
Impairment of tangible and intangible assets	9, 15, 16	1	(32)	1	(32)
Impairment of investment in subsidiary	9	-	-	-	235
Increase/ (decrease) in allowances		151	1 939	435	2 011
Share of profit of an associate	17	(118)	(153)	-	-
Income from investments in subsidiaries	17	-	-	(300)	-
Interest expenses	11	213	254	194	219
Interest income	10	(262)	(187)	(261)	(183)
Income from EU projects' funds	8, 29	(1 007)	(214)	(985)	(194)
Unrealised loss from fluctuations of currency exchange rates		717	2 649	717	2 649
Operating cash flows before working capital changes		**24 209**	**22 433**	**22 981**	**21 775**
Decrease/ (increase) in inventories		(2 344)	(2 439)	(1 909)	(2 448)
Decrease/ (increase) in receivables and prepaid expense		(2 031)	(1 229)	(1 949)	(2 652)
(Decrease)/ increase in payables and prepayments received		(2 631)	(3 164)	(2 344)	(2 361)
Cash generated from operations		**17 203**	**15 601**	**16 779**	**14 314**
Corporate income tax paid		(2 473)	(1 953)	(2 454)	(1 722)
Net cash flows to/ from operating activities		**14 730**	**13 648**	**14 325**	**12 592**
Cash flows to/from investing activities					
Purchase of intangible assets and property, plant and equipment	15, 16	(7 667)	(12 975)	(7 148)	(12 475)
Receipt of EU grants	29	1 066	2 034	1 059	2 034
Acquisition of subsidiaries and shares	3, 17	(1 462)	(1 176)	(1 890)	(1 176)
Dividends received	17	-	-	300	-
Proceeds from sale of intangible assets and property, plant and equipment		75	86	93	48
Repayment of loans		109	93	109	105
Interest received		10	18	10	23
Loans granted		(490)	(1 947)	(479)	(1 632)
Net cash flows to/from investing activities		**(8 359)**	**(13 867)**	**(7 946)**	**(13 073)**
Cash flows to/from financing activities					
Equity increase in subsidiary		14	-	-	-
Borrowings repaid		(6 276)	(5 201)	(6 038)	(4 875)
Interest paid		(213)	(254)	(194)	(219)
Proceeds from borrowings		3 236	5 798	2 736	5 798
Net cash flows to/from financing activities		**(3 239)**	**343**	**(3 496)**	**704**
Change in cash		**3 132**	**124**	**2 883**	**223**
Net foreign exchange difference		387	(95)	387	(95)
Cash at the beginning of the year		**2 055**	**2 026**	**1 745**	**1 617**
Cash at the and of the reporting period		**5 574**	**2 055**	**5 015**	**1 745**

The accompanying notes form an integral part of these financial statements.

Statement of changes in equity

Group

	Equity attributable to the equity holders of the Parent company						
	Share capital	Share premium	Reserves	Retained earnings	Total	Non-controlling interests	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Balance as at 31 December 2013	**20 041**	**2 504**	**-**	**39 364**	**61 909**	**78**	**61 987**
Profit for the reporting period	-	-	-	12 237	12 237	(3)	12 234
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	12 237	12 237	(3)	12 234
Acquisition of non-controlling interest	-	-	-	(1 109)	(1 109)	(67)	(1 176)
Balance as at 31 December 2014	**20 041**	**2 504**	**-**	**50 492**	**73 037**	**8**	**73 045**
Profit for the reporting period	-	-	-	15 281	15 281	8	15 289
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	15 281	15 281	8	15 289
Transfer to reserves (Note 25)	(322)	-	322	-	-	-	-
Issue of equity capital (SIA Silvanols)	-	-	-	-	-	14	14
Balance as at 31 December 2015	**19 719**	**2 504**	**322**	**65 773**	**88 318**	**30**	**88 348**

Parent company

	Share capital	Share premium	Reserves	Retained earnings	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Balance as at 31 December 2013	**20 041**	**2 504**	**-**	**39 931**	**62 476**
Profit for the reporting period	-	-	-	11 424	11 424
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	11 424	11 424
Balance as at 31 December 2014	**20 041**	**2 504**	**-**	**51 355**	**73 900**
Profit for the reporting period	-	-	-	14 566	14 566
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-		14 566	14 566
Transfer to reserves (Note 25)	(322)	-	322	-	-
Balance as at 31 December 2015	**19 719**	**2 504**	**322**	**65 921**	**88 466**

The accompanying notes form an integral part of these financial statements.

Notes to the financial statements

1. Corporate information

The JSC Olainfarm (hereinafter - the Parent company) was registered with the Republic of Latvia Enterprise Register on 10 June 1991 (re-registered on 27 March 1997) and with the Republic of Latvia Commercial Register on 4 August 2004. The principal activities of Olainfarm Group (hereinafter - the Group) are manufacturing and distribution of chemical and pharmaceutical products. The shares of the Parent company are listed on Riga Stock Exchange, Latvia. Information on the Group's structure and other related party relationships of the Group and the Parent company is provided in Note 17 Investments in subsidiaries and associated companies and Note 34 on related parties disclosures.

These financial statements for the year ended 31 December 2015 were approved by a resolution of the Parent company's Board on 29 April 2016.

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

2.1. Basis of preparation

The financial statements present the consolidated financial position of the Olainfarm Group (i.e. JSC Olainfarm and its subsidiaries) and the financial position of the JSC Olainfarm as a separate entity.

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

The financial statements are prepared on a historical cost basis, unless stated otherwise in the accounting policies described below. The financial statements are presented in euros (EUR), the monetary unit of the Republic of Latvia since 1 January 2014, and rounded to the nearest thousand (EUR '000 or thsd. EUR).

The financial statements cover the period 1 January 2015 through 31 December 2015.

2.2. Basis of consolidation (Group)

The consolidated financial statements comprise the financial statements of JSC Olainfarm and entities controlled by the Parent company (its subsidiaries) as at 31 December 2015. The financial statements of the subsidiaries are prepared for the same reporting period as for the Parent company, using consistent accounting policies.

Control is achieved when the Parent company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

The financial statements of the Parent company and its subsidiaries are consolidated in the Group's consolidated financial statements by adding together like items of assets and liabilities as well as income and expense. All intercompany transactions, balances and unrealised gains and losses on transactions between members of the Group are eliminated in full on consolidation. The equity and net income attributable to non-controlling interests are shown separately in the statement of financial position and the statement of comprehensive income.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it:

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

2.3. Summary of significant accounting policies

Business combinations (Group)

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

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

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

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

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

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

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

Fair value

Fair values of financial instruments measured at amortised cost are disclosed in Note 36.

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

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

The principal or the most advantageous market must be accessible by the Group and the Parent company.

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

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

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

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

Research and development costs

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

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

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is completed and the asset is available for use. It is amortised over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

Patents

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

Pharmacy licences and premises lease agreements (Group)

Pharmacy licences and premises lease agreements are intangible assets acquired in a business combination. The cost of pharmacy licences and premises lease agreements are their fair value as at the date of acquisition. Following initial recognition, pharmacy licences and premises lease agreements are carried at cost less any accumulated impairment losses.

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

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

Other intangible non-current assets

Other intangible assets basically consist of the costs of acquisition of preparation production technologies, medicine registration fees and software. Other intangible assets are stated at cost less accumulated amortization and impairment loss. Other intangible assets are amortised over their estimated useful lives on a straight-line basis. The annual amortization rate for other intangible assets is fixed as follows: 20% for production technologies and 20-25% for other intangible non-current assets. The amortisation expense is recognised in the statement of comprehensive income in the expense category that is consistent with the function of the intangible asset.

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

Greenhouse gas emission allowances

The Parent company participates in the European Emissions Trading Scheme in which it has been allocated allowances to emit a fixed tonnage of carbon dioxide (CO_2) in a fixed period of time. The rights are received on an annual basis and, in return, the Parent company is required to remit rights equal to its actual emissions. Granted emissions allowances are recognised as intangible assets when the Parent company is able to exercise control. Allowances received for no consideration under the National Emission Allowance Assignment Plan, are initially recognised at nominal value (nil value). If at the end of the compliance period actual emissions exceed granted emission rights the Parent company has to buy additional rights in the Emission Trading System. Purchased CO_2 emission allowances are initially recognised at cost (purchase price) within intangible assets. The Parent company has adopted the net liability approach to the emission rights granted. Therefore, a provision is recognised only when actual emissions exceed the emission rights granted and still held. The liability is measured at market price of allowances ruling at the balance sheet date, with movement in the liability recognised in operating profit.

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

Property, plant and equipment

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

	% per annum
Buildings and constructions	*5*
Equipment and machinery	*10-15*
Computers and software	*25*
Other property, plant and equipment	*20*

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

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

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

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

Impairment of non-financial assets

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

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

Investments in subsidiaries and associates (Parent company)

Investments in subsidiaries (i.e. where the Parent company holds more than 50% interest of the share capital or otherwise controls the company) and associates (i.e. an entity over which the Parent company has significant influence without control over the financial and operating policy decisions of the investee) are recognised at cost according to IAS 27. Following initial recognition, investments in subsidiaries and associates are carried at cost less any accumulated impairment losses. The carrying values of investments are reviewed for impairment at each statement of financial position date. The Parent company calculates the amount of impairment as the difference between the recoverable amount of the subsidiary or associate and its carrying value, then, recognises the loss in the statement of comprehensive income.

Dividends received from subsidiaries and associates are recognised in statement of comprehensive income when the Parent company's right to receive the dividend is established.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

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

Investment in associates (Group)

The Group's investments in its associates are accounted for using equity method. Under the equity method, the investment is initially recognised at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date.

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

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

Financial assets

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss , loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss , directly attributable transaction costs.

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

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

Loans and receivables

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

Cash and short term deposits

Cash comprises cash at bank and on hand, and short-term deposits with an original maturity of three months or less. The cash flow statement has been prepared according to the indirect method by making adjustments to reconcile operating profit with cash flows from operating, investing, and financing activities.

Interest bearing loans and borrowings

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

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

Impairment of financial assets

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

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

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

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

Derecognition of financial assets and liabilities

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

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

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

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

Inventories

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

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

- Raw materials: purchase cost on an average weighed cost basis;
- Finished goods and work in progress: cost of direct materials and labour plus indirect costs related to production. Indirect production costs consist of labour, energy, depreciation and other production-related expense calculated based on the ordinary production output.

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

Goods delivered to resellers on consignment arrangements are treated as the property of the Group and the Parent company until they are sold to the end-customer.

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

Accruals and deferrals

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

Off-balance sheet financial commitments and contingencies

In the ordinary course of business, the Group and the Parent company are involved in off-balance sheet financial instruments comprising financial guarantees. Such financial instruments do not involve outflow of the Group's and the Parent company's economic benefits, thus they are not recorded as liabilities. The methodology for provisioning against off-balance sheet financial commitments and contingent liabilities is consistent with that described in Provisions paragraph below. Contingent liabilities are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are only disclosed in the notes of the financial statements where an inflow of resources embodying economic benefits is probable and are never recognised in the financial statements.

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

Provisions

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

Leases

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

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

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

Borrowing costs

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

Revenue

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

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably. On consignment arrangements revenue is recognised when the reseller sells the goods to an end-customer, which is considered the point in time that the Group and the Parent company have transferred control of the goods.

Rendering of services

The value of services rendered basically comprises revenue from services includes the analysis of preparations based on customers' orders. Revenue is recognised in the period when the services are rendered.

Interest

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

Rental income

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

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

Corporate income tax

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

Deferred corporate income tax arising from temporary differences in the timing of the recognition of items in the tax returns and these financial statements is calculated using the liability method. The deferred corporate income tax asset and liability are determined on the basis of the tax rates that are expected to apply when the timing differences reverse. The principal temporary timing differences arise from differing rates of accounting and tax amortisation and depreciation on the Group's and the Parent company's non-current assets, the treatment of temporary non-taxable allowances and reserves, as well as tax losses carried forward for the subsequent years.

Related parties

The parties are considered related when one party has a possibility to control the other one or has significant influence over the other party in making financial and operating decisions. Related parties of the Parent company are associates and shareholders who could control or who have significant influence over the Parent company in accepting operating business decisions, key management personnel of the Parent company including members of Supervisory body – Audit committee and close family members of any above-mentioned persons, as well as entities over which those persons have a control or significant influence.

Subsequent events

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

Earnings per share

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

Foreign currency translation

The financial statements are presented in euro (EUR), which is also the functional and presentation currency of the Parent company (the monetary unit of the Republic of Latvia). Transactions in foreign currencies are translated into the euro at the reference exchange rate fixed by the European Central Bank at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the euro applying the reference exchange rate established by the European Central Bank at the last day of the reporting year. The differences arising on settlements of transactions or on reporting foreign currency transactions at rates different from those at which these transactions have originally been recorded are netted in the income statement accounts.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. The non-monetary items are carried at historical cost and no further retranslation is performed.

For the purpose of presenting consolidated financial statements, the assets and liabilities of foreign operations are translated into euros at the rate of exchange prevailing at the reporting date and their statements of comprehensive income are translated at exchange rates prevailing at the dates of transactions. If subsidiary's functional currency differs from the presentation currency of the Group, income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which case the currency exchange rates at the date of the transactions are applied. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognised in profit or loss.

Currency exchange rates established by the European Central Bank:

	31/12/2015 1 EUR	31/12/2014 1 EUR
USD	1.0887	1.2141
RUB	80.6736	72.3370

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

Accounting of grants received

The Parent company has received grants as a financing of the construction of property, plant and equipment and development of intangible assets as well as financial support for education, trainings and other development related expenses.

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. The Group and the Parent company initially presents the grants received in the statement of financial position as deferred income. When the grant relates to an expense item, it is recognised as other operating income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. Where the grant relates to an asset, it is recognised as other operating income in equal amounts over the expected useful life of the related asset.

Significant accounting judgments, estimates and assumptions

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

Pharmacy licences and lease contracts

Pharmacy licences and lease contracts are considered as the major asset acquired with the pharmacy retail business as in order to generate cash flows the licence holder should have leased or owned premises. Furthermore, the licence in combination with leased and actually used premises secures definite region from competitors' entry. Therefore, the Group has decided to treat pharmacy licences and lease contracts as one combined intangible asset. An intangible asset is regarded as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity. Due to the fact that there are very limited circumstances in which the licences can be revoked and licences can be renewed at a little or no cost to the Group, the Group has assessed the pharmacy licences and lease contracts to have an indefinite useful life.

Investment in associate SIA Olainfarm enerģija

Management treats SIA Olainfarm enerģija as associated entity that is not controlled and therefore not consolidated in the Group's financial statements even though the Group owns 50% of the voting rights. The key assumptions of the management in respect of non-control of the associated entity are i) the associate's sales prices are publicly regulated, and ii) sole board member/ executive officer of SIA Olainfarm enerģija is proposed and managed by other shareholder of the associate.

Capitalisation of development costs

The Group and the Parent company capitalises development costs in accordance with the accounting policy. Management uses its judgements, based on the facts and circumstances of each project individually. Initial capitalisation of costs is based on the management's judgement on technological and economic feasibility which is also considered as a starting point for the cost capitalisation with subject to further impairment testing on recognition moment and annually, until the development phase is completed and the necessary statutory certificates are obtained.

Other significant estimates and assumptions made by the management are disclosed in the following notes to the financial statements: for depreciation and amortisation - see Notes 15 and 16; for Impairment testing of intangible assets and investments in subsidiaries and associates - see Note 18; for allowances for doubtful receivables - see Note 20; for allowances for slow-moving inventories - see Note 19.

2.4. Changes in accounting policies and disclosures

The accounting policies are consistent with those followed in the preparation of the Group's and the Parent company's annual financial statement for the previous periods, except the following new and amended IFRSs and IFRICs which have been adopted by the Group and the Parent company as of 1 January 2015:

Annual Improvements to IFRSs 2011 – 2013 Cycle (collection of amendments to the following IFRSs):

IFRS 3 Business Combinations

This improvement clarifies that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. The implementation of this amendment had no impact on the financial statements of the Group and the Parent company, as the Group and its Parent company are not a joint arrangement.

IFRS 13 Fair value Measurement

This improvement clarifies that the scope of the portfolio exception defined in paragraph 52 of IFRS 13 includes all contracts accounted for within the scope of IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments, regardless of whether they meet the definition of financial assets or financial liabilities as defined in IAS 32 Financial Instruments: Presentation. The implementation of this amendment had no impact on the financial statements of the Group and the Parent company, since portfolio exception is not applied.

IAS 40 Investment property

This improvement clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in IFRS 3 Business Combinations and investment property as defined in IAS 40 Investment Property requires the separate application of both standards independently of each other. In previous periods the Group has relied on IFRS 3, not IAS 40, in determining whether an acquisition is of an asset or is a business acquisition. Thus, this amendment did not impact the accounting policy of the Group.

IFRIC Interpretation 21 Levies

This interpretation addresses the accounting for levies imposed by governments. Liability to pay a levy is recognized in the financial statements when the activity that triggers the payment of the levy occurs. The implementation of this standard had no effect on the financial statements of the Group and the Parent company.

2.5. Prior period reclassification

In order to improve comparability between reporting and prior year, several reclassifications for consolidated and separate statements of financial position are performed. Restatements are made to improve presentation of intangible assets based on their substance by separating intangible assets under construction from position other intangible assets. Other reclassifications are made to combine similar positions. Impact on the statement of financial position of 31 December 2014 is the following:

	Group			Parent company		
	Statement of financial position (restated)	Statement of financial position	Reclassification	Statement of financial position (restated)	Statement of financial position	Reclassification
ASSETS	31.12.2014	31.12.2014	31.12.2014	31.12.2014	31.12.2014	31.12.2014
NON-CURRENT ASSETS	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Intangible assets						
Other intangible assets	1 810	2 283	(473)	1 297	1 730	(433)
Intangible assets under construction	473	-	473	433	-	433
Financial assets						
Investments in associated companies	363	365	(2)	2	2	-
Other non-current financial assets	72	-	72	70	-	70
Non-current financial assets	-	70	(70)	-	70	(70)
CURRENT ASSETS						
Receivables						
Prepayments and prepaid expense	537	-	537	1 065	-	1 065
Prepayments to suppliers and related companies	-	271	(271)	-	863	(863)
Prepaid expense	-	266	(266)	-	202	(202)
TOTAL:			-			-

During the current year the management has re-evaluated its internal reporting requirements. Some expenditure has been reclassified and split according to their function to correspond to the management reporting needs. To provide comparable information for the users of these financial statements certain prior year statement of comprehensive income positions were reclassified. These adjustments had no effect on the reported financial results of the Group and the Parent company. Impact on the year 2014 statement of comprehensive income is the following:

	Group			Parent company		
	Statement of comprehensive income (restated)	Statement of comprehensive income	Reclassification	Statement of comprehensive income (restated)	Statement of comprehensive income	Reclassification
	31.12.2014	31.12.2014	31.12.2014	31.12.2014	31.12.2014	31.12.2014
Comprehensive income statement position	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Selling expense	(28 356)	(28 037)	(319)	(24 063)	(23 683)	(380)
Administrative expense	(16 198)	(16 662)	464	(15 286)	(15 715)	429
Other operating income	1 788	2 313	(525)	1 274	1 274	-
Other operating expense	(2 974)	(3 354)	380	(3 047)	(2 998)	(49)
TOTAL:			-			-

3. Business combinations and acquisition of non-controlling interests

Acquisition of Pharmacies

During the reporting period the Group acquired several unlisted pharmacy retail companies registered in Latvia as described below. Companies were acquired to increase retail coverage. The Group has used a multiple earnings method in the valuation of intangible assets. The main assumptions used – expected profitability and revenue growth. At the date of authorising for issue these financial statements the Group has not yet finalized the identification process for intangible assets from the business combinations - therefore the net assets and goodwill recognized in the financial statements are provisional. The financial statements include the results of acquired companies from acquisition date till the end of the reporting period. The fair value of the identifiable assets and liabilities of acquired pharmacies as at the date of acquisition were:

Acquired entity	***Jūras aptieka***	***Nikapharm***	***Aptieka Ālante***	***Nikafarm***	
Percentage of voting equity interest acquired	100%	100%	100%	100%	
Acquisition date	22.12.2015	11.11.2015	31.07.2015	21.04.2015	
	Fair value recognized on acquisition				**TOTAL**
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Assets					
Premises lease agreement and licences (Note 15)	140	30	20	160	350
Property, plant and equipment (Note 16)	10	-	-	68	78
Cash and cash equivalents	2	9	-	14	25
Other receivables	1	1	-	11	13
Trade receivables	6	-	8	22	36
Inventories	29	-	-	32	61
	188	**40**	**28**	**307**	**563**
Liabilities					
Trade payables	(54)	-	(11)	(86)	(151)
Other current liabilities	(11)	-	(1)	(9)	(21)
Other long term liabilities	(7)	-	-	-	(7)
Deferred tax liabilities (Note 12)	(21)	(5)	(3)	(33)	(62)
	(93)	**(5)**	**(15)**	**(128)**	**(241)**
Total identifiable net assets at fair value	**95**	**35**	**13**	**179**	**322**
Goodwill arising on acquisition (Note 15)	405	20	59	681	1 165
Purchase consideration transferred	**500**	**55**	**72**	**860**	**1 487**
Goodwill comprises:					
- an increase in deferred tax from acquired net asset fair value and book value difference	21	5	3	33	62
- expected synergies and assembled workforce not recognised separately	384	15	56	648	1 103
Analysis of cash flows on acquisition:					
Net cash acquired with the subsidiary	2	9	-	14	25
Cash paid (Note 17)	(500)	(55)	(72)	(860)	(1 487)
Net cash outflow	**(498)**	**(46)**	**(72)**	**(846)**	**(1 462)**
Effect of acquisition to the Group					
Revenue contributed	-	-	5	311	316
Profit / (loss) before tax generated	-	-	(5)	8	3
Estimated effect of acquisition if acquisition date had been as of the beginning of the year					
Estimated revenue for whole period	331	89	68	505	993
Estimated loss before tax for whole period	(21)	(9)	(11)	(6)	(47)

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

3. Business combinations and acquisition of non-controlling interests (cont'd)

Information on prior year events

There were no business acquisitions during the financial year ended 31 December 2014.

Acquisition of additional interest in SIA Silvanols

On 28 August 2014, JSC Olainfarm acquisition of another 25.81% voting shares in SIA Silvanols was registered, thus increasing its ownership interest to 96.69%. Cash consideration of 1 176 thsd. EUR was paid to the non-controlling shareholders. The acquisition of additional ownership interest in a subsidiary is recorded in equity as following:

	EUR '000
Cash consideration paid to non-controlling shareholders	1 176
Carrying value of non-controlling interest in SIA Silvanols acquired	67
Difference recognised in retained earnings	**1 109**

4. Establishment of subsidiaries and reorganisation

Established subsidiaries

On March 27, 2015 JSC Olainfarm established subsidiary UAB Olainfarm-Lietuva in Lithuania (100% of shareholding and voting power) and on July 9, 2015 established subsidiary in Azerbaijan MMC Olainfarm Azerbaijan (100% of shareholding and voting power). Main operations of the newly established entities relate to promotion of products made by the Group and its partners in these countries.

Information on prior year events

Established subsidiary

On December 3, 2014 JSC Olainfarm established subsidiary SIA Olainfarm Azija in Kyrgyzstan (100% of shareholding and voting power). Main operations of the newly established entity relate to promotion of products made by the Group and its partners in Kyrgyzstan.

Merging of pharmacies

During the year ended 31 December 2014 reorganisation - merging process was performed in the course of which eighteen of JSC Olainfarm owned pharmacies (acquiree) were merged into SIA Latvijas aptieka (acquirer). On 28 May 2014 the first phase of the reorganisation process was completed and the companies SIA Esplanāde Farm, SIA Vita Plus aptieka, SIA Veritas-Farm, SIA Teriaks Pļaviņu aptieka, SIA Rudens laiks, SIA Aptieka Rudens 10, AS Lege Artis Rīga, SIA Juko 99, SIA Inula Farma, SIA Daugavkrasta farmācija and SIA Baltā Aptieka I.P.I. were merged into SIA Latvijas aptieka. On 16 September 2014 the second phase of the reorganisation was completed and SIA Mana aptieka, SIA Traumu aptieka, SIA Trīsdesmit seši un seši, SIA Sabiedrības Ars aptieka, SIA Priekules aptieka and SIA Jaunjelgavas aptieka were merged into SIA Latvijas aptieka. On 15 December 2014 the third phase of the reorganisation was completed in the course of which SIA Elpa aptieka was merged into SIA Latvijas aptieka.

All the rights and obligations of the acquirees were transferred to the acquirer. Assets and liabilities of the acquired companies were reflected in the financial statements of SIA Latvijas aptieka at their carrying value as at the date of the merging, excluding intercompany mutual balances and the difference recognising in prior year retained earnings. Due to the fact that all merged companies till the date of the reorganisation were part of the same Group, the performed reorganisation did not affect the financial results of the consolidated financial statements.

5. Net revenue

	Group		Parent company	
	2015	2014	2015	2014
By business segments	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**
Finished form medicine	69 669	69 958	69 995	70 208
Pharmacy	16 821	15 226	-	-
Chemicals	4 625	3 977	4 625	3 984
Silvanols	3 658	2 755	-	-
Wholesale	2 619	1 738	10 126	7 433
TOTAL:	**97 392**	**93 654**	**84 746**	**81 625**

	2015	2014	2015	2014
By geographical segments	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**
CIS	59 049	62 371	59 004	62 345
Latvia	23 218	20 735	12 266	9 819
Europe	10 385	7 767	9 515	7 319
Baltic states (Lithuania and Estonia)	1 486	1 463	877	867
Other	3 254	1 318	3 084	1 275
TOTAL:	**97 392**	**93 654**	**84 746**	**81 625**

6. Selling expense

	Group		Parent company	
	2015	2014	2015	2014
	EUR '000	**EUR '000**	**EUR '000**	**EUR '000**
Marketing expense	15 058	17 712	14 820	17 132
Wages, salaries and statutory social insurance contributions	6 739	5 761	3 943	3 413
Sales commissions	1 373	562	1 373	562
Transport expense	884	643	657	469
Energy and other resources expense	709	727	622	632
Representation expense	577	409	501	409
Premises rent expense	520	504	-	-
Depreciation and amortization	465	432	253	226
Business trips expense	318	165	287	165
Expert analysis of medicines and annual medicines register fees	256	238	342	231
Royalty	98	227	98	201
Other distribution costs	1 205	976	846	623
TOTAL:	**28 202**	**28 356**	**23 742**	**24 063**

7. Administrative expense

	Group		Parent company	
	2015	2014	2015	2014
	EUR '000	**EUR '000**	**EUR '000**	**EUR '000**
Wages, salaries and statutory social insurance contributions	10 020	8 188	9 507	7 613
Depreciation and amortization	2 086	1 437	2 042	1 387
Energy and other resources expense	1 202	1 118	1 140	1 081
New product research and developments services	945	373	928	361
Personnel related expense	539	375	499	344
Transport expense	434	535	427	531
Business trips expense	412	529	460	610
Security expense	379	319	379	319
Representation expense	235	131	235	130
Bank charges	235	238	176	183
Professional service expense*	175	187	128	137
Communications expense	126	109	109	86
Current repairs expense	87	73	87	73
Participation in force majeure loss compensation**	1 126	1 234	1 126	1 234
Other administrative expense	964	1 352	875	1 197
TOTAL:	**18 965**	**16 198**	**18 118**	**15 286**

*JSC Olainfarm annual consolidated and separate financial statements' audit expense charged by certified auditors SIA Ernst & Young Baltic is 42 thsd EUR (2014: 41 thsd EUR).

**As the result of military activities in the territory of Ukraine followed by fiscal instability and actual devaluation of national currency, the Parent company's distribution partner in Ukraine OOO Olfa incurred realised currency loss in respect of payments to the Parent company in amount of 2.3 million EUR (2014: 2.5 million EUR). The Parent company and Olfa have agreed to share currency loss for year 2015 resulting in 1 126 thsd EUR (2014: 1 234 thsd EUR) costs recognised as the Parent company's administrative costs.

8. Other operating income

	Group		Parent company	
	2015	2014	2015	2014
	EUR '000	EUR '000	EUR '000	EUR '000
Used EU grants	1 007	252	985	225
Sale of water and treatment of waste water	477	27	477	27
Marketing services	406	415	116	124
Lease of premises	142	161	135	156
Catering services	114	117	114	117
Travel services	90	70	-	-
Sale of non-current assets	75	86	93	48
Transportation services	67	34	67	34
Packing services	52	56	52	56
Analyses provision services	41	42	44	45
Sale of current assets	28	62	102	67
Accounting services	16	-	133	32
Other operating income	200	466	169	343
TOTAL:	**2 715**	**1 788**	**2 487**	**1 274**

9. Other operating expense

	Group		Parent company	
	2015	2014	2015	2014
	EUR '000	EUR '000	EUR '000	EUR '000
Donations*	853	206	847	197
Assets write-offs	475	301	451	305
Depreciation and amortization	183	148	175	141
Social infrastructure expense	124	112	124	112
Real estate tax expense	111	109	105	105
Wages, salaries and statutory social insurance contributions	90	107	90	107
Non-current assets write-off expense	77	95	89	41
Penalties expense for late payments	9	19	4	8
Impairment/ (reversed impairment) of non-current assets	1	(32)	1	(32)
Impairment accrual for investment in subsidiary	-	-	-	235
Changes in allowances**	(920)	938	(958)	958
Other operating expense	954	971	936	870
TOTAL:	**1 957**	**2 974**	**1 864**	**3 047**

*In 2015 donations amount comprise 594 thsd. EUR construction costs of a building erected for the needs of the Orthodox Church of Latvia (Latvijas Pareizticīgā Baznīca). See also Note 16.

**Reversal of allowances recognised in prior periods was mainly caused by restructuring of debt from doubtful receivable OOO Medsnab (see Note 20).

10. Financial income

	Group		Parent company	
	2015	2014	2015	2014
	EUR '000	EUR '000	EUR '000	EUR '000
Loan interest income	262	187	261	183
TOTAL:	**262**	**187**	**261**	**183**

11. Financial expense

	Group		Parent company	
	2015	2014	2015	2014
	EUR '000	EUR '000	EUR '000	EUR '000
Currency exchange loss, net	1 191	4 474	1 158	4 472
Loan interest expense	213	254	194	219
TOTAL:	**1 404**	**4 728**	**1 352**	**4 691**

Currency exchange loss is mainly related to the RUB fluctuations in the reporting and prior years.

12. Corporate income tax

	Group		Parent company	
	2015	2014	2015	2014
	EUR '000	EUR '000	EUR '000	EUR '000
Current corporate income tax charge for the year	2 110	2 266	1 976	2 247
Deferred corporate income tax due to changes in temporary differences	245	(657)	197	(467)
Charged to the income statement:	**2 355**	**1 609**	**2 173**	**1 780**

Deferred tax relates to the following:

	Group				Parent company			
	Statement of financial position		Statement of comprehensive income		Statement of financial position		Statement of comprehensive income	
	31.12.2015	31.12.2014	2015	2014	31.12.2015	31.12.2014	2015	2014
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Deferred corporate income tax liability								
Accelerated depreciation for tax purposes	(2 551)	(2 308)	(243)	317	(1 240)	(1 007)	(233)	194
Deferred tax liability acquired in business combinations (Note 3)	(62)	-	-	-	-	-	-	-
Gross deferred corporate income tax liability	**(2 613)**	**(2 308)**	**(243)**	**317**	**(1 240)**	**(1 007)**	**(233)**	**194**
Deferred corporate income tax assets								
Vacation pay reserve and accrual for bonuses	242	190	52	48	219	170	49	48
Allowances for slow-moving items	199	179	20	4	199	179	20	5
Other assets	225	299	(74)	288	187	220	(33)	220
Gross deferred corporate income tax asset	**666**	**668**	**(2)**	**340**	**605**	**569**	**36**	**273**
Net deferred tax liability	**(1 947)**	**(1 640)**	**(245)**	**657**	**(635)**	**(438)**	**(197)**	**467**

Reconciliation of tax expense:

	Group		Parent company	
	2015	2014	2015	2014
	EUR '000	EUR '000	EUR '000	EUR '000
Profit before taxes	17 644	13 843	16 739	13 204
Tax at the applicable rate of 15%	2 647	2 076	2 511	1 981
Permanent differences including:				
Adjustment in respect of origination and reversal of temporary differences	(88)	(407)	(91)	(359)
Income from investments in subsidiaries and associates	(18)	(23)	(45)	-
Fixed assets tax depreciation allowances	(38)	(15)	(35)	(15)
Tax incentives for research and development cost	(145)	-	(145)	-
Expenses not related to business	369	248	347	241
Tax discounts on donations	(495)	(122)	(494)	(122)
Other permanent differences	123	(148)	125	54
Actual corporate income tax for the reporting period:	**2 355**	**1 609**	**2 173**	**1 780**

13. Staff costs and number of employees

	Group		Parent company	
	2015	2014	2015	2014
	EUR '000	EUR '000	EUR '000	EUR '000
Wages and salaries	18 210	16 036	15 147	13 323
Statutory social insurance contributions	3 800	3 529	3 093	2 894
TOTAL:	**22 010**	**19 565**	**18 240**	**16 217**

	Group		Parent company	
	2015	2014	2015	2014
	EUR '000	EUR '000	EUR '000	EUR '000
Management				
Wages and salaries	1 058	1 060	1 058	1 060
Statutory social insurance contributions	212	205	212	205
Board Members				
Wages and salaries	1 866	939	1 683	748
Statutory social insurance contributions	103	108	60	64
Council Members				
Wages and salaries	127	103	127	103
Statutory social insurance contributions	29	24	29	24
TOTAL:	**3 395**	**2 439**	**3 169**	**2 204**

	Group		Parent company	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Average number of employees during the reporting year	1 353	1 231	1 055	1 010

The total staff costs are included in the following statement of comprehensive income and statement of financial positions captions:

	Group		Parent company	
	2015	2014	2015	2014
	EUR '000	EUR '000	EUR '000	EUR '000
Inventories (Note 19)	468	593	418	568
Cost of goods sold	4 693	4 916	4 282	4 516
Selling expense (Note 6)	6 739	5 761	3 943	3 413
Administrative expense (Note 7)	10 020	8 188	9 507	7 613
Other operating expense (Note 9)	90	107	90	107
TOTAL:	**22 010**	**19 565**	**18 240**	**16 217**

14. Basic and diluted earnings per share

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

	Group	
	2015	2014
	EUR '000	EUR '000
Net result attributable to shareholders	15 281	12 237
Weighted average number of ordinary shares	14 085 078	14 085 078
Earnings per share (EUR):	**1.08**	**0.87**

	2015	2014
No of shares at the beginning of respective year	14 085 078	14 085 078
No of shares at the year end	14 085 078	14 085 078
Weighted average No of ordinary shares	**14 085 078**	**14 085 078**

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

There were no dividends payments per share in the financial year 2015 (for financial year of 2014: nil).

15. Intangible assets

Group

			Goodwill	Pharmacy licenses and lease contracts	Patents	Other intangible assets*	Intangible assets under construction*	TOTAL	Prepayments for intangible assets	TOTAL
			EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Acquisition value		31.12.2013	6 660	9 216	4 225	2 556	50	**22 707**	307	**23 014**
	Additions		-	310	8	564	444	**1 326**	276	**1 602**
2014	Reclassification		-	-	1	252	(21)	**232**	(232)	**-**
	Reclassification		-	-	-	12	-	**12**	-	**12**
	Disposals		-	-	(3)	(184)	-	**(187)**	(35)	**(222)**
Acquisition value		31.12.2014	6 660	9 526	4 231	3 200	473	**24 090**	316	**24 406**
	Additions		-	138	2	54	264	**458**	342	**800**
	Acquisition of subsidiaries (Note 3)		1 165	350	-	-	-	**1 515**	-	**1 515**
2015	Reclassification		-	-	5	563	(160)	**408**	(408)	**-**
	Reclassification		-	-	-	-	-	**-**	(91)	**(91)**
	Disposals		-	-	(3)	(349)	(35)	**(387)**	(5)	**(392)**
Acquisition value		31.12.2015	7 825	10 014	4 235	3 468	542	**26 084**	154	**26 238**
Accumulated amortisation and impairment		31.12.2013	-	-	4 076	1 153	-	**5 229**	111	**5 340**
	Amortisation		-	-	10	381	-	**391**	-	**391**
2014	Impairment/ (reversed impairment)		-	-	-	(3)	-	**(3)**	(29)	**(32)**
	Amortisation of disposals		-	-	-	(141)	-	**(141)**	-	**(141)**
Accumulated amortisation and impairment		31.12.2014	-	-	4 086	1 390	-	**5 476**	82	**5 558**
	Amortisation		-	-	13	408	-	**421**	-	**421**
2015	Impairment/ (reversed impairment)		-	-	-	22	-	**22**	(25)	**(3)**
	Amortisation of disposals		-	-	-	(329)	-	**(329)**	-	**(329)**
Accumulated amortisation and impairment		31.12.2015	-	-	4 099	1 491	-	**5 590**	57	**5 647**
Net carrying amount		**31.12.2014**	**6 660**	**9 526**	**145**	**1 810**	**473**	**18 614**	**234**	**18 848**
Net carrying amount		**31.12.2015**	**7 825**	**10 014**	**136**	**1 977**	**542**	**20 494**	**97**	**20 591**

Parent company

			Patents	Other intangible assets*	Intangible assets under construction*	TOTAL	Prepayments for intangible assets	TOTAL
			EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Acquisition value		31.12.2013	4 225	2 060	50	**6 335**	307	**6 642**
	Additions		8	494	383	**885**	276	**1 161**
2014	Reclassification		1	231	-	**232**	(232)	**-**
	Reclassification		-	18	-	**18**	-	**18**
	Disposals		(3)	(174)	-	**(177)**	(35)	**(212)**
Acquisition value		31.12.2014	4 231	2 629	433	**7 293**	316	**7 609**
	Additions		2	42	248	**292**	342	**634**
2015	Reclassification		5	517	(114)	**408**	(408)	**-**
	Reclassification		-	-	-	**-**	(91)	**(91)**
	Disposals		(3)	(290)	(35)	**(328)**	(5)	**(333)**
Acquisition value		31.12.2015	4 235	2 898	532	**7 665**	154	**7 819**
Accumulated amortisation and impairment		31.12.2013	4 076	1 136	-	**5 212**	111	**5 323**
	Amortisation		10	334	-	**344**	-	**344**
2014	Impairment/ (reversed impairment)		-	(3)	-	**(3)**	(29)	**(32)**
	Amortisation of disposals		-	(135)	-	**(135)**	-	**(135)**
Accumulated amortisation and impairment		31.12.2014	4 086	1 332	-	**5 418**	82	**5 500**
	Amortisation		13	369	-	**382**	-	**382**
2015	Impairment/ (reversed impairment)		-	22	-	**22**	(25)	**(3)**
	Amortisation of disposals		-	(270)	-	**(270)**	-	**(270)**
Accumulated amortisation and impairment		31.12.2015	4 099	1 453	-	**5 552**	57	**5 609**
Net carrying amount		**31.12.2014**	**145**	**1 297**	**433**	**1 875**	**234**	**2 109**
Net carrying amount		**31.12.2015**	**136**	**1 445**	**532**	**2 113**	**97**	**2 210**

*Restatement made between positions Other intangible assets and Intangible assets under construction (see also Note 2.5).

Net impairment charge for the reporting and prior years is recognised in the statement of comprehensive income as other operating expense (see Note 9 caption Impairment/ (reversed impairment) of non-current assets).

During the years 2011 to 2015 the Group and the Parent company acquired a number of pharmacy retail units and SIA Silvanols. The most significant intangibles identified as a result of business combination (Note 3) were goodwill and pharmacy licences and lease contracts.

15. Intangible assets (cont'd)

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

Other intangible assets position contains several fully amortised intangible assets that are still in use by the Group and the Parent company. The original cost value of these intangible assets used by the Group is 463 thsd EUR (2014: 543 thsd EUR).

Greenhouse gas emission allowances

Allowances are allocated free of charge in accordance with the Law on Pollution and Directives of the Ministry of Environmental Protection and Regional Development of the Republic of Latvia and are recognised at zero cost.

The number of allowances the Parent company received in 2015 from the Government free of charge was 8 899 (2014: 13 496). Therefore, their carrying amount as at the end of reporting year was nil (2014: nil).

The fair value of greenhouse gas emission allowances as at 31 December 2015 is 91 thsd EUR (2014: 99 thsd EUR). For estimation of the fair value of allowances were used closing market prices of NASDAQ OMX Commodities exchange on the last trade date on 31 December 2015 – 8.25 EUR/t (2014: 7.30 EUR/t).

The Parent company has decided to transfer the remaining 11 044 allowances to the next allocation period (including 10 726 allowances to be exercised till 1 May 2016 based on the actual carbon dioxide emissions during the year 2015).

	2015	**2014**
	Number of emission allowances	
At the beginning of respective year	**13 496**	**-**
Received allowances	8 899	13 496
Purchased allowances	-	5 313
Exercised allowances	(11 351)	(5 313)
At the end of respective year	**11 044**	**13 496**

16. Property, plant and equipment

Group

			Land, buildings and constructions	Equipment and machinery	Other tangible assets	Leasehold investments	Construction in progress	TOTAL	Prepayments for property, plant and equipment	TOTAL
			EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Acquisition value		31.12.2013	23 735	22 104	5 332	324	4 306	**55 801**	2 697	**58 498**
2014	Additions		-	987	611	46	4 577	**6 221**	5 564	**11 785**
	Reclassification		7 131	5 127	307	-	(6 284)	**6 281**	(6 281)	**-**
	Reclassification		-	112	(40)	-	-	**72**	(94)	**(22)**
	Disposals		(102)	(480)	(427)	(61)	(7)	**(1 077)**	(29)	**(1 106)**
Acquisition value		31.12.2014	30 764	27 850	5 783	309	2 592	**67 298**	1 857	**69 155**
2015	Additions		127	1 178	469	60	2 672	**4 506**	2 828	**7 334**
	Acquisition of subsidiaries (Note 3)		63	5	10	-	-	**78**	-	**78**
	Reclassification		287	4 360	298	(106)	(756)	**4 083**	(4 083)	**-**
	Reclassification		-	-	-	-	-	**-**	(42)	**(42)**
	Disposals*		(41)	(391)	(308)	(7)	(594)	**(1 341)**	(93)	**(1 434)**
Acquisition value		31.12.2015	31 200	33 002	6 252	256	3 914	**74 624**	467	**75 091**
Accumulated depreciation and impairment		31.12.2013	12 275	16 187	3 058	55	-	**31 575**	-	**31 575**
2014	Depreciation		1 072	1 937	725	55	-	**3 789**	-	**3 789**
	Reclassification		-	85	(21)	-	-	**64**	-	**64**
	Depreciation of disposals		(96)	(461)	(363)	(27)	-	**(947)**	-	**(947)**
Accumulated depreciation and impairment		31.12.2014	13 251	17 748	3 399	83	-	**34 481**	-	**34 481**
2015	Depreciation		1 480	3 330	820	47	-	**5 677**	-	**5 677**
	Impairment		-	-	4	-	-	**4**	-	**4**
	Depreciation of disposals		(36)	(381)	(226)	(7)	-	**(650)**	-	**(650)**
Accumulated depreciation and impairment		31.12.2015	14 695	20 697	3 997	123	-	**39 512**	-	**39 512**
Net carrying amount		**31.12.2014**	**17 513**	**10 102**	**2 384**	**226**	**2 592**	**32 817**	**1 857**	**34 674**
Net carrying amount		**31.12.2015**	**16 505**	**12 305**	**2 255**	**133**	**3 914**	**35 112**	**467**	**35 579**

Parent company

			Land, buildings and constructions	Equipment and machinery	Other tangible assets	Leasehold investments	Construction in progress	TOTAL	Prepayments for property, plant and equipment	TOTAL
			EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Acquisition value		31.12.2013	22 929	21 159	4 441	-	4 306	**52 835**	2 697	**55 532**
2014	Additions		16	956	539	-	4 577	**6 088**	5 564	**11 652**
	Reclassification		7 131	5 127	307	-	(6 284)	**6 281**	(6 281)	**-**
	Reclassification		-	-	-	-	-	**-**	(94)	**(94)**
	Disposals		(102)	(396)	(249)	-	(7)	**(754)**	(29)	**(783)**
Acquisition value		31.12.2014	29 974	26 846	5 038	-	2 592	**64 450**	1 857	**66 307**
2015	Additions		58	1 159	210	6	2 672	**4 105**	2 825	**6 930**
	Reclassification		181	4 360	295	-	(756)	**4 080**	(4 080)	**-**
	Reclassification		-	-	-	-	-	**-**	(42)	**(42)**
	Disposals*		(41)	(356)	(273)	-	(594)	**(1 264)**	(93)	**(1 357)**
Acquisition value		31.12.2015	30 172	32 009	5 270	6	3 914	**71 371**	467	**71 838**
Accumulated depreciation and impairment		31.12.2013	12 090	15 691	2 564	-	-	**30 345**	-	**30 345**
2014	Depreciation		1 013	1 815	600	-	-	**3 428**	-	**3 428**
	Depreciation of disposals		(96)	(383)	(239)	-	-	**(718)**	-	**(718)**
Accumulated depreciation and impairment		31.12.2014	13 007	17 123	2 925	-	-	**33 055**	-	**33 055**
2015	Depreciation		1 415	3 211	710	-	-	**5 336**	-	**5 336**
	Impairment		-	-	4	-	-	**4**	-	**4**
	Depreciation of disposals		(36)	(351)	(217)	-	-	**(604)**	-	**(604)**
Accumulated depreciation and impairment		31.12.2015	14 386	19 983	3 422	-	-	**37 791**	-	**37 791**
Net carrying amount		**31.12.2014**	**16 967**	**9 723**	**2 113**	**-**	**2 592**	**31 395**	**1 857**	**33 252**
Net carrying amount		**31.12.2015**	**15 786**	**12 026**	**1 848**	**6**	**3 914**	**33 580**	**467**	**34 047**

Net impairment charge for the reporting and prior years is recognised in the statement of comprehensive income as other operating expense (see Note 9 position Impairment/ (reversed impairment) of non-current assets).

*Disposal of 594 thsd. EUR is a donation of a building to Orthodox Church of Latvia (Latvijas Pareizticīgā Baznīca) that was constructed for the needs of the church. The cost of donation is recognised in the statement of comprehensive income as other operating expense (see Note 9 position Donations).

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

The position Other tangible assets contain cars held under finance lease by the Group and the Parent company. The net carrying value of these assets held by the Group at 31 December 2015 is 540 thsd EUR (2014: 484 thsd EUR) and for the Parent company there is 518 thsd EUR (2014: 466 thsd EUR). For finance lease liabilities see Note 27.

A number of completely depreciated property, plant and equipment items are still used in the operations of the Group and the Parent company. The total gross amount of such property, plant and equipment used by the Group at the end of the year is 15 372 thsd EUR (2014: 14 282 thsd EUR) and the gross value of items still used by the Parent company is 14 901 thsd EUR (2014: 13 863 thsd EUR).

The following are the cadastral values of the Group's and the Parent company's real estate:

	Group		Parent company	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
	EUR '000	EUR '000	EUR '000	EUR '000
Land	1 800	1 854	1 748	1 796
Buildings and constructions	5 646	5 433	5 285	5 184
TOTAL:	**7 446**	**7 287**	**7 033**	**6 980**

As at 31 December 2015 and 2014, all the non-current and current assets owned by the Parent company had been pledged as a security for the loans and credit lines received (Note 26). The pledge agreements were registered with the Commercial Pledge Register.

The total costs of intangible assets and property, plant and equipment depreciation and amortisation are included in the following statement of comprehensive income and statement of financial positions captions:

	Group		Parent company	
	2015	2014	2015	2014
	EUR '000	EUR '000	EUR '000	EUR '000
Inventories (Note 19)	300	236	289	227
Cost of goods sold	3 017	1 872	2 959	1 791
Selling expense (Note 6)	465	432	253	226
Administrative expense (Note 7)	2 086	1 437	2 042	1 387
Leasehold improvements expense	47	55	-	-
Other operating expense (Note 9)	183	148	175	141
TOTAL:	**6 098**	**4 180**	**5 718**	**3 772**

17. Investments in subsidiaries and associated companies

The Parent company's investments in subsidiaries and associated companies as of 31 December 2015 and 31 December 2014 are set out below:

			Parent company's investment		Financial data of investee			
			31.12.2015	31.12.2014	2015	31.12.2015	2014	31.12.2014
Company	Business	%	EUR '000	EUR '000	Statement of comprehensive income	Equity	Statement of comprehensive income	Equity
Associated entities								
SIA Olainfarm enerģija	Electicity production and sale	50	2	2	237	959	306	722
SIA Pharma and Chemistry Competence Centre of Latvia	Project management services	11	-	-	323	9	(63)	(314)
	Total associates:		**2**	**2**	**560**	**968**	**243**	**408**
Subsidiaries								
SIA First Class Lounge*	Travelling services	100	18	18	35	(502)	(14)	(537)
SIA Ozols JDR	Public services	100	2	2	(1)	(24)	1	(23)
SIA Silvanols	Medicine production and sale	96.69	4 556	4 156	231	947	(86)	303
SIA Latvijas aptieka	Retail sale of medicine	100	11 626	11 626	553	1 343	405	1 090
SIA Aptieka Ālante	Retail sale of medicine	100	72	-	(11)	(8)	2	5
SIA Jūras aptieka	Retail sale of medicine	100	500	-	(21)	(23)	(5)	(2)
SIA Nikafarm	Retail sale of medicine	100	860	-	(7)	9	1	17
SIA Nikapharm	Retail sale of medicine	100	55	-	(9)	9	3	26
OOO Olainfarm Azija	Marketing services	100	-	-	13	13	-	-
UAB Olainfarm-Lietuva	Marketing services	100	3	-	27	30	-	-
MMC Olainfarm Azerbaijan	Marketing services	100	-	-	8	8	-	-
OLAINFARM ILJAČ VE TIBBI URJUNLERI SANAJI VE TIDŽARET LIMITED ŠIRKETI	Distribution of medicine	99	54	54	70	47	(18)	(23)
	Total subsidiaries:		**17 746**	**15 856**	**888**	**1 849**	**289**	**856**
		TOTAL:	**17 748**	**15 858**	**1 448**	**2 817**	**532**	**1 264**

*In the prior year impairment for Parent company's investment in SIA First Class Lounge was recognised. The impairment loss of 18 thsd EUR was allocated to the investment; thus, the net carrying value of the investment in SIA First Class Lounge amounts zero at 31 December 2015 and 2014. In the statement of financial position, the investment in subsidiaries is disclosed in net amount of 17 728 thsd EUR (2014: 15 838 thsd EUR). See also Note 18.

Income from investments in subsidiaries

During the year 2015 the Parent company received dividends from its subsidiary SIA Latvijas aptieka in amounts of 300 thsd EUR (2014: nil).

Additional investment in SIA Silvanols

On 3 June 2015 amendments of SIA Silvanols articles of association were conducted, increasing its equity capital to 704 thsd. EUR. Payment for the new equity shares in amount of 400 thsd. EUR was transferred by JSC Olainfarm in July, 2015. JSC Olainfarm shareholding in SIA Silvanols remains unchanged – 96.69%.

17. Investments in subsidiaries and associated companies (cont'd)

Interest in associate (Group)

The Group's investment in associate includes an investment in SIA Olainfarm enerģija. JSC Olainfarm holds 50% (2014: 50%) interest with significant influence in SIA Olainfarm enerģija whose principal activity is energy cogeneration. The interest in the associate disclosed in the consolidated financial statements is accounted for using the equity method. The following table illustrates the summarised financial information of the Group's investment in SIA Olainfarm enerģija:

	2015	2014
	EUR '000	EUR '000
Current assets	217	503
Non-current assets	1 416	1 549
Current liabilities	227	374
Non-current liabilities	447	956
Equity	**959**	**722**
Proportion of the Group's ownership	50%	50%
Carrying amount of the investment	480	361
Recognized investment value	**480**	**361**
Revenue	1 656	1 844
Profit for the year	236	306
Group's share of profit of an associate recognized in statement of comprehensive income	**118**	**153**

The total Group's carrying amount of the investment in the associate including Parent company's original investment of 2 thsd. EUR is 482 thsd. EUR (31.12.2014: 363 thsd. EUR).

Impairment testing of the investments in subsidiaries and associated companies has been performed by the management of the Parent company using valuation methods and based on assumptions described in the Note 18.

18. Impairment testing

Goodwill acquired through business combinations has been allocated to Pharmacy retail CGU, Silvanols CGU and Travel agency CGU. Premises lease agreements and licences with indefinite lives are fully related to Pharmacy CGU. These are also operating and reportable segments for impairment testing related to consolidated financial statements of the Group.

Carrying amount of goodwill and licences allocated to each of the CGUs:

		Pharmacy retail CGU	Silvanols CGU	Travel agency CGU	Other	Total
		EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Goodwill	2015	5 286	2 454	85	-	7 825
	2014	4 121	2 454	85	-	6 660
Pharmacy licences and lease contracts	2015	10 014	-	-	-	10 014
	2014	9 526	-	-	-	9 526

Investments in subsidiaries and associated entities are split in Pharmacy retail CGU, Silvanols CGU, Travel agency CGU and Other for impairment testing purposes related to separate financial statements of the Parent company.

Carrying amount of investments in subsidiaries and associated entities allocated to each of the Parent company's CGUs:

		Pharmacy retail CGU	Silvanols CGU	Travel agency CGU	Other	Total
		EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Investments in subsidiaries and associated entities	2015	13 113	4 556	18	61	17 748
	2014	11 626	4 156	18	58	15 858

18. Impairment testing (cont'd)

Summary of impairment testing results

Pharmacy retail CGU

The recoverable amount of Pharmacy retail CGU is determined based on a value in use calculation using cash flow projections from financial budgets approved by the management. As a result of performed calculations the management has not identified impairment for Pharmacy retail CGU in respect of goodwill, pharmacy licences and lease agreements and Parent company's investment in the CGU.

Silvanols CGU

Silvanols CGUs valuation method for impairment testing has been changed. For the current year discounted cash flow method is applied instead of market value applying comparison method used for the prior year. According to the management evaluations at the moment of the impairment testing, the discounted cash flow method was more appropriate because of insufficient data available for applying prior year's method reliably. Thereby, the recoverable amount of Silvanols CGU as at 31 December 2015 is determined based on a value in use calculation using cash flow projections from financial budgets approved by the management. As a result of performed calculations the management has not identified impairment for Silvanols CGU in respect of goodwill and Parent company's investment in the Silvanols CGU.

Travel agency CGU

During financial year 2014 investment in Travel agency CGU was fully impaired (18 thsd EUR impairment recognised) based on a value in use calculations using cash flow projections from financial budgets approved by the management. Additional impairment of 217 thsd EUR was charged to the loan issued by the Parent company. During the reporting year 2015 the loan from Parent company was restructured by fully offsetting against Travel agency receivables from related parties. Previously recognised impairment is not reversed but fully attributed to accounts receivable from the Travel agency.

Key assumptions used in value in use calculations for Pharmacy retail CGU

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

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

Gross margins

Gross *m*argins were calculated on division between products with regulated and unregulated price in total sales. On average 25% mark-up is applied to the products with regulated pricing and 40% mark-up is applied to the products with unregulated pricing. The gross margins applied are consistent with the average industry ratios.

Discount rates

The pre-tax Discount rate applied to the cash flow projections is 13.8% (2014: 13.8%). Discount rate represents the current market assessment of the risks specific to CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the investors. A segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on the publicly available market data. The cost of debt is based on the interest bearing borrowings the company is obliged to service.

Growth rate estimates

The recoverable amount was calculated using cash flow projections of each pharmacy separately combined into one cash flow for all of the pharmacies. The cash flow projections were made for a thirteen-year period, with terminal growth of 1.9% after that period. The nature of the business allows projecting for 13 years reliably. The growth rate of sales during the initial years was based on an assumption that sales of well-established and known pharmacies will grow by 4% per annum, which for a number of years has been a growth rate of the Latvian pharmaceutical retail industry, sales of recently established or remodelled pharmacies will grow by 7% per annum and sales of new pharmacies during the initial years will grow by 10% per annum. For all the companies it resulted in annual long-term sales growing (on average) by 5.7%, which according to the opinion of the management, is conservative to the reasonable assumption, because it is widely expected that during the nearest years, as the Latvian budgetary situation stabilizes and improves, more funds will be allocated to health care, including the compensation for medicines, - development that will have a very strong positive impact on growth of the pharmaceutical retail industry. The growth rate for whole CGU for the year 2016 is planned 8.7% that represents approved budgets based on extensive motivation and pharmacies network optimisation activities planned.

18. Impairment testing (cont'd)

Key assumptions used in value in use calculations for Silvanols CGU

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

- discount rate;
- growth rate estimates.

Discount rates

The pre-tax discount rate applied to the cash flow projections is 14.5%. Discount rate represent the current market assessment of the risks specific to CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the investors. A segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on the publicly available market data. The cost of debt is based on the interest bearing borrowings the company is obliged to service.

Growth rate estimates

The recoverable amount was calculated using cash flow projections for eleven-years period, with terminal growth of 1.9% after that period. The growth rate of sales during the initial years is based on the Parent Company sales network potential and market penetration plans in CIS countries. The expected growth ratio is decreasing from 21% for year 2016 till 17% for year 2018 in line with realistic plans availability and assumption that at year 2019 whole potential of Olainfarm sales network will be accommodated with further development at 4% growth rate.

Key assumptions used in value in use calculations for Travel agency CGU

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

- discount rate;
- growth rate estimates.

Discount rates

The pre-tax discount rate applied to the cash flow projections is 15.8%. Discount rate represent the current market assessment of the risks specific to CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. A segment-specific risk is incorporated by applying individual beta factor. The beta factor is evaluated annually based on the publicly available market data. The cost of debt is based on the interest bearing borrowings the Group is obliged to service.

Growth rate estimates

The recoverable amount was calculated using cash flow projections for eleven-year period, with terminal growth of 1.9% after that period. The annual growth rate applied to the CGU is 1.9%. The major portion of the Travel agency CGU's revenue is drawn up by providing travelling and conferences organization services to related entities. Since JSC Olainfarm policies and objectives for future are diversification of current market share and entering new markets, it will lead to increase of services provided by the Travel agency. Therefore, the management believes that 1.9% long-term annual revenue growth rate is applied reasonably.

Sensitivity to changes in assumptions

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

19. Inventories

	Group		Parent company	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
	EUR '000	EUR '000	EUR '000	EUR '000
Work in progress (at cost)	10 527	9 463	10 421	9 448
Finished goods and goods for resale (at cost)	8 722	7 145	7 231	5 956
Raw materials (at cost)	2 856	2 920	2 535	2 651
Prepayments for goods	177	372	67	313
Goods in transit	65	-	65	-
TOTAL:	22 347	19 900	20 319	18 368
Allowances for work in progress	(785)	(613)	(785)	(613)
Allowances for finished goods and goods for resale	(445)	(359)	(445)	(357)
Allowances for raw materials	(109)	(235)	(97)	(226)
Allowances for prepayments for goods	(18)	-	(13)	-
TOTAL:	(1 357)	(1 207)	(1 340)	(1 196)
TOTAL:	**20 990**	**18 693**	**18 979**	**17 172**

As at 31 December 2015, the inventories of the Group included goods on consignment amounting to 262 thsd EUR (2014: 91 thsd EUR), and consignment goods of the Parent company amounted to 191 thsd EUR (2014: 79 thsd EUR).

During 2015, 453 thsd EUR (2014: 301 thsd EUR) were written-down from inventory by the Group companies and 444 thsd EUR (2014: 300 thsd EUR) of inventory were written-down by the Parent company to other operating expense.

As at 31 December 2015 and 2014 all the non-current and current assets owned by the Parent company were pledged as a security for the loans received (Note 26). The pledge agreements are registered with the Commercial Pledge Register.

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

	Group		Parent company	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
	EUR '000	EUR '000	EUR '000	EUR '000
Trade receivables	17 664	16 366	16 646	15 767
Receivables from associated companies	341	387	231	189
Receivables from subsidiaries	-	-	1 750	1 571
Receivables from other related companies	8 555	10 567	8 552	10 567
Allowances for doubtful receivables	(284)	(1 209)	(231)	(1 168)
Allowances for doubtful receivables from other related companies	(210)	(89)	(210)	(89)
TOTAL:	**26 066**	**26 022**	**26 738**	**26 837**
Short term trade receivables	**26 066**	**26 022**	**26 701**	**26 837**
Long term trade receivables	**-**	**-**	**37**	**-**

The trade receivables are non-interest bearing and from foreign companies are generally on 90 days' terms, while for the local companies - on 60 days' terms.

As at 31 December 2015 receivables from other related companies include 8 328 thsd EUR (2014: 10 374 thsd EUR) receivable from OOO Olfa to the Parent company. OOO Olfa is the only distributor of the Parent company's products in Ukraine. Receivables from the related party OOO Olfa are non-interest bearing and 6 610 thsd EUR (2014: 3 146 thsd EUR) are factorized without recourse rights. The factoring agreement is in force until March 2016 (see also Note 38 on events after the reporting year end). Receivables from the related party OOO Olfa are on 240 days' term. For additional information see also Note 34 Related party disclosures.

20. Trade receivables and receivables from associated and other related companies (cont'd)

See below for the movements in the allowances for impairment of trade receivables and receivables from associated and other related companies:

	Group			Parent company		
	Individually impaired	Collectively impaired	Total	Individually impaired	Collectively impaired	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
As at 01 January 2014	**290**	**-**	**290**	**236**	**-**	**236**
Charge for the year	1 043	-	1 043	1 043	-	1 043
Used amounts	(35)	-	(35)	(22)	-	(22)
As at 31 December 2014	**1 298**	**-**	**1 298**	**1 257**	**-**	**1 257**
Charge for the year	201	-	201	163	-	163
Used amounts	(1 005)	-	(1 005)	(979)	-	(979)
As at 31 December 2015	**494**	**-**	**494**	**441**	**-**	**441**

All provisions for impairment are assessed individually. No collective assessment has been carried out. No collateral has been held by the Group and the Parent company to secure its receivables.

In 2014 Parent company recognised allowance for doubtful receivable OOO Medsnab (previously OOO Oriola) for amount of 979 thsd. EUR (70 809 thsd. RUB). In 2015 major part of OOO Medsnab debt in amount of 976 thsd EUR (68 289 thsd. RUB) was overtaken by company OOO Apteka-A.v.e, thus previously recognised allowance reversed respectively. See also Note 21.

As at 31 December, the ageing analysis of the receivables past due but not impaired may be specified as follows:

		Total	Neither past due nor impaired	Past due but not impaired, days				
				< 30	30-60	60-90	90-120	> 120
Group								
2014	**EUR '000**	**26 022**	19 550	1 345	2 067	1 337	1 302	421
2015	**EUR '000**	**26 066**	17 436	2 039	910	227	1 833	3 621
Parent company								
2014	**EUR '000**	**26 837**	20 684	1 269	2 087	1 311	1 267	219
2015	**EUR '000**	**26 738**	18 259	1 868	941	244	1 822	3 604

See Note 36 on credit risk and credit quality of trade receivables that are neither past due nor impaired.

21. Prepayments to suppliers and prepaid expense

	Group		Parent company	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
	EUR '000	EUR '000	EUR '000	EUR '000
Prepayments:				
Prepayments to suppliers*	1 260	271	1 053	235
Prepayments to related companies	-	-	955	628
Allowances for prepayments to related companies	-	-	(217)	-
Prepaid expense:				
Insurance payments	65	48	52	45
Operating lease payments	56	-	10	-
Premises lease payments	106	-	-	-
Other prepaid expense	193	218	184	157
TOTAL:	**1 680**	**537**	**2 037**	**1 065**
Total short term	**1 551**	**537**	**1 719**	**1 065**
Total long term	**129**	**-**	**318**	**-**

*The debt of OOO Medsnab has been taken over by OOO Apteka-A.v.e. The Parent company and OOO Apteka-A.v.e have reached an agreement that the outstanding debt will be cleared by providing marketing services for the Parent company's products in the territory of Russia. Correspondingly the debt has been reclassified to Prepayments to suppliers. See also Note 20.

22. Other receivables

	Group		Parent company	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
	EUR '000	EUR '000	EUR '000	EUR '000
Claim in accordance with court decision*	148	148	148	148
Receivables from representation offices	309	273	309	273
VAT receivable (Note 28)	95	40	81	97
Accrued receivables	66	59	60	12
Deposit in SEB banka	86	16	86	16
Provisions for other receivables	(207)	(201)	(193)	(189)
Other receivables	365	349	177	190
TOTAL:	**862**	**684**	**668**	**547**

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

For information on deposit in AS SEB banka refer to Note 33.

23. Loans to management, employees and shareholders

	Group		Parent company	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
	EUR '000	EUR '000	EUR '000	EUR '000
Long term loan to Valērijs Maligins (Chairman of Board)	3 868	3 626	3 868	3 626
Short term loan to Valērijs Maligins (Chairman of Board)	1 194	514	1 194	200
Loan to SIA Olmafarm (shareholder)	306	229	306	229
Other short term loans to employees	175	122	157	114
TOTAL:	**5 543**	**4 491**	**5 525**	**4 169**

Detail information regarding loans issued to related party see in Note 34.

24. Cash

	Group		Parent company	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
	EUR '000	EUR '000	EUR '000	EUR '000
Cash at banks and on hand	5 542	2 021	5 015	1 745
Cash in transit	32	34	-	-
TOTAL:	**5 574**	**2 055**	**5 015**	**1 745**

	Group		Parent company	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Cash by currency profile:	EUR '000	EUR '000	EUR '000	EUR '000
EUR	2 875	1 193	2 318	883
RUB	1 119	3	1 119	3
USD	1 580	859	1 578	859
TOTAL:	**5 574**	**2 055**	**5 015**	**1 745**

25. Share capital

The share capital of the Parent company is 19 719 thsd EUR (2014: 20 041 thsd EUR) and consists of 14 085 078 (2014: 14 085 078) shares. The par value of each share is 1.40 EUR (till January 23, 2015: 1.42 EUR (rounded)).

JSC Olainfarm shareholders extraordinary meeting of December 17, 2014 made a decision to denominate JSC Olainfarm share capital in EUR. The denomination was accomplished on January 23, 2015 establishing 1.40 euro par value of 14 085 078 shares resulting in total share capital of 19 719 thsd. EUR. Denomination difference of 322 thsd EUR is attributed to the reserves of the equity.

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

26. Loans from credit institutions

					Group		Parent company	
					31.12.2015	31.12.2014	31.12.2015	31.12.2014
Non-current:	Amount		Interest rate (%) as at 31.12.2015	Maturity	EUR '000	EUR '000	EUR '000	EUR '000
Loan from AS SEB banka	4 268 615	EUR	EURIBOR (3m.)+1,300%	16.10.2017	1 729	2 402	1 729	2 402
Loan from AS SEB banka	12 490 000	EUR	EURIBOR (3m.)+1,200%	03.12.2018	3 963	5 658	3 963	5 658
Loan from AS SEB banka	14 000 000	EUR	EURIBOR (3m.)+1,400%	17.07.2017	2 087	2 108	2 087	2 108
Loan from AS SEB banka	301 500	EUR	EURIBOR (3m.)+1,500%	20.09.2017	26	24	-	-
Loan from AS SEB banka	500 000	EUR	EURIBOR (3m.)+1,400%	26.09.2017	448	-	-	-
				TOTAL:	**8 253**	**10 192**	**7 779**	**10 168**
Current:								
Loan from AS SEB banka	4 268 615	EUR	EURIBOR (3m.)+1,300%	16.10.2017	672	673	672	673
Loan from AS SEB banka	12 490 000	EUR	EURIBOR (3m.)+1,200%	03.12.2018	2 068	2 068	2 068	2 068
Loan from AS SEB banka	14 000 000	EUR	EURIBOR (3m.)+1,400%	17.07.2017	712	1 400	712	1 400
Loan from AS SEB banka	301 500	EUR	EURIBOR (3m.)+1,500%	20.09.2017	35	73	-	-
Loan from AS SEB banka	96 000	EUR	EURIBOR (3m.)+1,400%	01.09.2015	-	27	-	-
Loan from AS SEB banka	500 000	EUR	EURIBOR (3m.)+1,400%	26.09.2017	42	-	-	-
Loan from AS SEB banka	355 718	EUR	EURIBOR (3m.)+3,081%	28.01.2015	-	151	-	-
Credit line from AS SEB banka	1 300 000	EUR	EURIBOR (3m.)+1,300%	01.08.2016	-	1 407	-	1 407
Credit line from AS SEB banka	711 436	EUR	EURIBOR (3m.)+1,400%	24.09.2015	-	654	-	-
Credit line from AS SEB banka	1 000 000	EUR	EURIBOR (3m.)+1,400%	18.08.2016	579	295	-	-
				TOTAL:	**4 108**	**6 748**	**3 452**	**5 548**

Interest is usually revised on a quarterly basis.

The Parent company's loan agreements with AS SEB banka contain several covenants, which are to be fulfilled, and a report submitted to the bank on a quarterly basis. As at 31 December 2015 and 2014, the Parent company was compliant with financial covenants imposed by AS SEB banka.

As at 31 December 2015 the total available undrawn committed borrowing facilities of the Group amount to 10 027 thsd EUR (2014: 12 298 thsd EUR) whereas Parent company's available undrawn committed borrowing facilities are 9 606 thsd EUR (2014: 11 535 thsd EUR).

As of 31 December 2015 and 2014 all non-current and current assets of the Parent company are pledged as a security for the loans received. The pledge agreements are registered with the Commercial Pledge Register.

27. Finance lease liabilities

	Group				Parent company			
	31.12.2015		31.12.2014		31.12.2015		31.12.2014	
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
	Non-current	Current	Non-current	Current	Non-current	Current	Non-current	Current
Finance lease liabilities to SIA SEB Līzings, EUR	277	129	168	135	263	125	168	132
Finance lease liabilities to AB SEB Lizingas, EUR	21	5	-	-	-	-	-	-
Finance lease liabilities to BELIDEAL FLIT SERVIS, USD	-	6	6	9	-	6	6	9
Finance lease liabilities to SIA Nordea Finance Latvia, EUR	9	10	19	12	9	10	19	11
Finance lease liabilities to SIA HL līzings, EUR	-	-	2	2	-	-	-	-
TOTAL:	**307**	**150**	**195**	**158**	**272**	**141**	**193**	**152**

The interest rate on the finance leases ranges from 0.16% to 3.79%. Interest rate is normally revised quarterly throughout the financial year. The net carrying amount of the property, plant and equipment held under finance lease is disclosed in Note 16.

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

	Group				Parent company			
	31.12.2015		31.12.2014		31.12.2015		31.12.2014	
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
	Minimum payments	Present value of payments	Minimum payments	Present value of payments	Minimum payments	Present value of payments	Minimum payments	Present value of payments
Within one year	163	150	173	158	154	141	167	152
Between one and five years	316	307	207	195	280	272	205	193
Total minimum lease payments	480	457	380	353	434	413	372	345
Less finance charges	(23)	-	(27)	-	(21)	-	(27)	-
Present value of minimum lease payments	**457**	**457**	**353**	**353**	**413**	**413**	**345**	**345**

28. Taxes payable

Summary of taxes payable to the State as at 31 December 2015 and 2014 for the Group and the Parent company can be specified as follows:

	Group		Parent company	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
	EUR '000	EUR '000	EUR '000	EUR '000
Personal income tax	501	303	442	241
Statutory social insurance contributions	466	433	370	349
Natural resource tax	7	6	7	6
Unemployment risk duty	1	-	-	-
Corporate income tax	-	-	-	70
Company vehicle tax	6	3	-	-
TOTAL taxes payable:	**981**	**745**	**819**	**666**

For additional information purposes in the table below there is disclosed movement of all Parent company's taxes payable and receivable during the reporting year ended 31 December 2015:

	31.12.2015	Calculated	Paid/ refunded	Transfer of VAT overpayment	31.12.2014
Personal income tax	(442)	(3 073)	2 872	-	(241)
Statutory social insurance contributions	(370)	(4 677)	4 561	95	(349)
Real estate tax	-	(105)	105	-	-
Natural resource tax	(7)	(28)	27	-	(6)
Unemployment risk duty	-	(5)	5	-	-
Corporate income tax	412	(1 976)	2 454	4	(70)
Company vehicle tax	-	(46)	46	-	-
Value added tax	81	445	(362)	(99)	97
TOTAL:	**(326)**	**(9 465)**	**9 708**	**-**	**(569)**
Total liabilities	**(819)**				**(666)**
Total assets	**493**				**97**

29. Deferred income

	Group		Parent company	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
	EUR '000	EUR '000	EUR '000	EUR '000
Deferred income related to EU projects	3 456	2 516	3 389	2 434
Tours bought for travelling services	-	2	-	-
TOTAL:	**3 456**	**2 518**	**3 389**	**2 434**
Short term deferred income	**800**	**419**	**785**	**402**
Long term deferred income	**2 656**	**2 099**	**2 604**	**2 032**

Movement of the granted EU funds during the financial years ended 31 December 2015 and 2014 is the following:

	Group			Parent company		
	Amount granted	Amounts recognised in other operating income	Deferred government grant income	Amount granted	Amounts recognised in other operating income	Deferred government grant income
2015 EUR '000	1 880	940	3 456	1 880	925	3 389
2014 EUR '000	2 034	214	2 516	2 034	194	2 434

Long term investments acquired and generated during implementation of projects are recognised as non-current assets. All acquired assets are maintained in accordance with the conditions of the projects and are in proper working order.

Deferred income related to EU projects represents EU financing for several projects concluded during reporting and prior years.

In the year 2014 JSC Olainfarm received prepayment of 1 002 thsd EUR from Investment and Development Agency of Latvia to support implementation of the project *High added value investments to significantly improve chemical and technological processes at JSC Olainfarm*. During the year 2015 the prepayment was partly cleared and the remaining balance of 121 thsd EUR recognised in the statement of financial position under caption Prepayments received from customers (2014: 1 002 thsd EUR).

30. Participation in EU Projects

Parent company's participation in the EU projects

Projects implemented during reporting year

Investments to increase added value in production of Nitrofuran medicines (project No APV/2.1.2.4.0/12/02/049)

During the project, investments targeted to increase value added in production of nitrofuran medicines produced in "Nitrofuran medicines production unit" will be made. Necessary equipment will be acquired and one building will be reconstructed into production unit of nitrofuran.

Modernisation of unit for production of phenibutum intermediates (project No APV/2.1.2.4.0/13/03/102)

During the project, investments will be made to increase the value added by unit for production of Phenibutum related intermediates. The necessary new equipment and machinery will be acquired; respective premise will be renovated and expanded. New, higher value added product will be introduced.

High added value investments to significantly improve chemical and technological processes at JSC Olainfarm

During the project, equipment acquired to be used in order to significantly improve chemical and technological processes at JSC Olainfarm. These investments will promote the introduction of high added value pharmaceutical products in the upcoming years and overall development of the industry.

Development of methods of synthesis of active pharmaceutical ingredients and research of pharmacological profile (agreement No 2013/0030/2DP/2.1.1.1.0/13/APIA/VIAA/001)

In order to create new neurodegenerative medical substance, the project will utilize innovative approaches that will be developed because of the synergies between acclaimed scientific expertise of Latvian Institute of Organic Synthesis and competence of JSC Olainfarm in development of innovative pharmaceutical products.

Development of production technologies of new finished drug forms

The aim of the study: to develop new drug forms in compliance with principles of Good Manufacturing Practice.

An drug use efficacy and safety study

The aim of the study: to carry out drug efficacy and safety studies according to the principles of Good Manufacturing Practice, Good Clinical Practice, and Good Laboratory Practice.

Development of a production technology of generic active pharmaceutical ingredients

The aim of the study: develop new methods of synthesising and analysing unpatented generic active pharmaceutical ingredients. Additionally, a study and optimisation of synthesis methods will be performed with the aim of increasing the effectiveness of the production technologies to be developed.

Development of a technology of synthesising chiral aminobutyric acid derivatives

During the project implementation, it is planned to develop a new method of synthesis for the chemical compound group.

Study of new crystalline forms of active pharmaceutical ingredients

The aim of the study: generate new, previously unknown crystalline phases of active pharmaceutical ingredients, which have differing physically-chemical properties.

Training for people employed in the chemistry sector and related sectors in Latvia to raise qualification, increase competitiveness on the labour market and promote business competitiveness

Employee training in the following areas: production engineering and management, computer science, engineering science and technologies, production and processing, labour safety and protection.

Participation of JSC Olainfarm at the international trade mission in Turkmenistan (Ashkhabad)
Registration of JSC Olainfarm products for trading in the Republic of Kosovo and in the Federation of Bosnia and Herzegovina
Participation of JSC Olainfarm at the international trade mission in Karachi (Pakistan)
Participation of JSC Olainfarm at international exhibitions in Spain and Russia

Projects concluded during prior years

Reducing of carbon dioxide emissions by improving energy efficiency in the JSC Olainfarm production facilities No 2 and 4 (project No KPFI-6/5)
Reconstruction of JSC Olainfarm production facilities transformer substations (project No KPFI-15.1/52)
Introduction of new medicines production in JSC Olainfarm (project No JPR/2.1.2.2.2/11/02/092)
Participation of JSC Olainfarm at the international exhibition in Brazil
Participation of JSC Olainfarm at the international exhibition in Spain
Participation of JSC Olainfarm at the international exhibition in Germany
Trade mission to Germany organised by the Association of Latvian Chemical and Pharmaceutical Industry
Participation of JSC Olainfarm at the international exhibitions in Japan and France

30. Participation in EU Projects (cont'd)

SIA Silvanols participation in the EU projects

Participation at the international trade mission in Norway
Phytopharmaceuticals and manufacturers of food supplements trade mission to Japan to participate in exhibitions "IFIA JAPAN" and "HFE JAPAN 2015"
Antioxidative composition studies of buckthorn sharps chemical dry extract, compared with buckthorn shoots dry extract chemical, antioxidant properties
Biologically active substances rich in plant extracts compatibility study with gel forming polymers
The aim was to investigate extracts various natural substances interoperability with gel forming polymers
A new type of biologically active substances exploration through fermentation processed conifer stumps and antioxidant-rich plant vegetative forms

31. Accrued liabilities

	Group		Parent company	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
	EUR '000	EUR '000	EUR '000	EUR '000
Accruals for vacation pay reserve and bonuses	1 614	1 269	1 453	1 129
Accruals for sales commissions	1 036	270	1 036	270
Accruals for electricity and gas	123	157	123	157
Accruals for marketing service	85	20	304	-
Other accrued liabilities	267	649	245	550
TOTAL:	**3 125**	**2 365**	**3 161**	**2 106**

32. Trade and other payables

	Group		Parent company	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
	EUR '000	EUR '000	EUR '000	EUR '000
Trade and other payables	5 740	6 649	4 092	5 173
Payables to associated companies	71	88	71	87
Payables to subsidiaries	-	-	85	123
Payables to other related companies	238	264	238	264
Wages and salaries	1 101	958	930	815
Other paybles	38	20	20	12
TOTAL:	**7 188**	**7 979**	**5 436**	**6 474**

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

33. Commitments and contingencies

Financial guarantees

During the year 2014 the Parent company has provided financial guarantees to Investment and Development Agency of Latvia (LIAA) and State Education Development Agency (VIAA) for fulfilment of agreements signed in respect of EU projects. The guarantees were issued by AS SEB banka and the total amount of provided guarantees in 2014 was 2 375 thsd EUR. During the year 2015 no additional guarantees were provided. The remaining amount of previously provided guarantees in 2015 is 191 thsd EUR (all to LIAA). The guarantees are partly secured by financial pledge - the Parent company’s funds in the deposit account of AS SEB banka in amount of 86 thsd EUR (2014: 86 thsd EUR). The following are maturity terms of the guarantees:

	31.12.2015	Additional provisions made	Amounts matured	31.12.2014
	EUR '000	EUR '000	EUR '000	EUR '000
Financial guarantees provided by the Parent company	191	-	(2 184)	2 375
TOTAL:	**191**			**2 375**
Maturity within one year	**191**			**1 303**
Maturity within two years	**-**			**1 072**

The term of the deposit is consistent with the maturity terms of secured guarantees. At the end of the year 2015 all provided financial guarantees are short term (maturity within one year), thus full amount of the deposit is recognised in other receivables (Note 22).

Support letters

JSC Olainfarm has issued support letters to its subsidiaries SIA Latvijas aptieka, SIA Silvanols and SIA First Class Lounge acknowledging that the Parent company’s position is to ensure that they have sufficient financial resources and they are able to carry their operations and settle obligations at least for one year after submission of the financial statements for the years ended 31 December 2015 and 2014.

Capital expenditure

As at 31 December 2015 the Parent company had commitments amounting to 615 thsd EUR (2014: 477 thsd EUR) for capital expenditure contracted but not delivered at the end of the reporting period. The total initially agreed amount for unfinished construction contracts as at the end of the reporting period was 2 092 thsd EUR (2014: 1 504 thsd EUR) and until the end of the reporting period construction works amounting to 1 477 thsd EUR (2014: 1 027 thsd EUR) were completed.

Operating lease

The Group and the Parent company have entered into commercial leases on certain motor vehicles. These leases have an average life of 3 years with no renewal option included in the contracts. Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

	Group		Parent company	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
	EUR '000	EUR '000	EUR '000	EUR '000
Within one year	241	209	199	176
After one year but not more than five years	362	249	266	200
TOTAL:	**603**	**458**	**465**	**376**

34. Related party disclosures

SIA Olmafarm is the major shareholder of the Parent company and it owns 42.56% (2014: 42.56%) shares. The sole shareholder of SIA Olmafarm and 26.92% (2014: 26.92%) shareholder of the Parent company is Valērijs Maligins.

The following table provides the total amount of transactions that the Group and the Parent company have been entered into with related parties for the relevant financial year.

Related party	Type of services		Goods and services delivered to/ Loans issued to related parties		Goods and services received from related parties		Amounts owed by related parties (gross)		Amounts owed to related parties (gross)	
			Group	Parent company	Group	Parent company	Group	Parent company	Group	Parent company
			EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
1. Associated entities										
SIA Olainfarm enerģija	Loan, services, energy	31.12.2014	83	83	481	481	215	215	62	62
(JSC Olainfarm share 50%)	production	31.12.2015	59	59	449	449	83	83	25	25
SIA Pharma and Chemistry Competence Centre of Latvia (JSC Olainfarm share 11%,	Financing and project management services	31.12.2014	160	91	206	196	345	147	26	25
SIA Silvanols share 19%)		31.12.2015	114	114	79	64	337	227	46	46
	TOTAL:	**31.12.2014**	**243**	**174**	**687**	**677**	**560**	**362**	**88**	**87**
	TOTAL:	**31.12.2015**	**173**	**173**	**528**	**513**	**420**	**310**	**71**	**71**
2. Key management personnel										
V. Maligins (shareholder)	Loan and travelling	31.12.2014	2 052	1 718	-	-	4 140	3 826	-	-
	services	31.12.2015	1 423	1 737	-	-	5 062	5 062	-	-
	TOTAL:	**31.12.2014**	**2 052**	**1 718**	**-**	**-**	**4 140**	**3 826**	**-**	**-**
	TOTAL:	**31.12.2015**	**1 423**	**1 737**	**-**	**-**	**5 062**	**5 062**	**-**	**-**
3. Entity with significant influence										
SIA Olmafarm (shareholder)	Loan and finished goods	31.12.2014	38	38	-	-	230	230	-	-
	sale	31.12.2015	78	78	-	-	308	308	-	-
	TOTAL:	**31.12.2014**	**38**	**38**	**-**	**-**	**230**	**230**	**-**	**-**
	TOTAL:	**31.12.2015**	**78**	**78**	**-**	**-**	**308**	**308**	**-**	**-**
4. Other related companies										
SIA Vega MS	Security services,	31.12.2014	-	-	429	429	-	-	4	4
(V. Maligins share 59.99%)	manufacture of windows	31.12.2015	-	-	503	503	-	-	-	-
SIA Aroma	Loan and lease of premises	31.12.2014	51	46	16	16	141	141	16	16
(V.Maligins share 100%)		31.12.2015	63	59	31	6	172	169	-	-
SIA Lano Serviss	Drycleaner's services	31.12.2014	10	10	31	31	1	1	3	3
(V.Maligins share 25%)		31.12.2015	12	12	31	31	1	1	3	3
SIA Carbochem	Loan and intermediary on	31.12.2014	-	-	-	-	109	109	-	-
(V.Maligins share 50%)	sale of chemical products	31.12.2015	-	-	-	-	89	89	-	-
SIA Olfa Press	Printing services	31.12.2014	48	48	1 419	1 419	8	8	241	241
(V. Maligins share 47.5%)		31.12.2015	40	40	1 463	1 463	10	10	202	202
SIA Olalex	Finished goods sale,	31.12.2014	36	36	76	76	-	-	-	-
(V.Maligins share 50%)	services	31.12.2015	58	58	122	122	-	-	33	33
OOO Olfa	Finished goods sale	31.12.2014	10 566	10 566	-	-	10 374	10 374	-	-
(J.Dudko share 100%)		31.12.2015	6 539	6 539	-	-	8 328	8 328	-	-
	TOTAL:	**31.12.2014**	**10 711**	**10 706**	**1 971**	**1 971**	**10 633**	**10 633**	**264**	**264**
	TOTAL:	**31.12.2015**	**6 712**	**6 708**	**2 150**	**2 125**	**8 600**	**8 597**	**238**	**238**
5. Related entities (subsidiaries)										
SIA First Class Lounge	Loan and travelling	31.12.2014	-	18	-	807	-	959	-	-
(JSC Olainfam share 100%)	services	31.12.2015	-	11	-	705	-	576	-	-
SIA Ozols JDR	Loan	31.12.2014	-	4	-	16	-	20	-	-
(JSC Olainfam share 100%)		31.12.2015	-	1	-	-	-	21	-	-
SIA Silvanols	Finished goods sale,	31.12.2014	-	52	-	601	-	29	-	122
(JSC Olainfam share 96.69%)	distribution services	31.12.2015	-	154	-	442	-	81	-	83
SIA Latvijas aptieka	Finished goods sale	31.12.2014	-	6 757	-	13	-	1 541	-	1
(JSC Olainfam share 100%)		31.12.2015	-	8 990	-	14	-	1 519	-	2
SIA Aptieka Ālante	Finished goods sale	31.12.2014	-	-	-	-	-	-	-	-
(JSC Olainfam share 100%)		31.12.2015	-	8	-	-	-	8	-	-
SIA Jūras aptieka	Finished goods sale	31.12.2014	-	-	-	-	-	-	-	-
(JSC Olainfam share 100%)		31.12.2015	-	2	-	-	-	7	-	-
SIA Nikafarm	Finished goods sale	31.12.2014	-	-	-	-	-	-	-	-
(JSC Olainfam share 100%)		31.12.2015	-	169	-	-	-	37	-	-
SIA Nikapharm	Finished goods sale	31.12.2014	-	-	-	-	-	-	-	-
(JSC Olainfam share 100%)		31.12.2015	-	-	-	-	-	-	-	-
OOO Olainfarm Azija	Marketing services	31.12.2014	-	-	-	-	-	-	-	-
(JSC Olainfam share 100%)		31.12.2015	-	-	-	185	-	1	-	-
UAB "Olainfarm-Lietuva"	Marketing services	31.12.2014	-	-	-	-	-	-	-	-
(JSC Olainfam share 100%)		31.12.2015	-	98	-	377	-	198	-	-
MMC "Olainfarm Azerbaijan"	Marketing services	31.12.2014	-	-	-	-	-	-	-	-
(JSC Olainfam share 100%)		31.12.2015	-	-	-	90	-	183	-	-
OLAINFARM ILJAČ VE TIBBI URJUNLERI SANAJI VE TIDŽARET LIMITED ŠIRKETI	Product registration support services	31.12.2014	-	1	-	-	-	26	-	-
(JSC Olainfam share 99%)		31.12.2015	-	-	-	141	-	96	-	-
	TOTAL:	**31.12.2014**	**-**	**6 832**	**-**	**1 437**	**-**	**2 575**	**-**	**123**
	TOTAL:	**31.12.2015**	**-**	**9 433**	**-**	**1 954**	**-**	**2 727**	**-**	**85**

34. Related party disclosures (cont'd)

The outstanding balances owed by related parties contain loans issues by the Parent company:

			Interest charge		Amounts owed by related parties (gross)			
			2015	2014	31.12.2015		31.12.2014	
			EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
	% rate as at 31.12.2015	Maturity			Non-current	Current	Non-current	Current
Associate								
SIA Olainfarm enerģija	5.5%	11.10.2019	6	9	79	-	173	-
Key management personnel and shareholders								
Valērijs Maligins	5.5%	31.12.2021	231	142	3 868	1 194	3 626	514
SIA Olmafarm	5.5%	31.12.2016	12	11	-	306	-	229
Other related companies								
SIA Aroma	5.4%	31.12.2016	2	2	-	48	-	46
SIA Carbochem	0%	-	-	-	-	-	-	20
Subsidiaries								
SIA First Class Lounge	5.5%	-	7	16	-	-	356	-
SIA Ozols JDR	5.5%	31.12.2016	1	2	-	21	-	19
		TOTAL:	259	182	3 947	1 569	4 155	828

Terms and conditions of transactions with related parties

To secure receivables from OOO Olfa, the Parent company and LAS Trasta komercbanka in the year 2013 has signed an international factoring agreement without recourse rights. The factoring agreement is in force until March 2016 (see Note 38). On 31 December 2015 amount of factorized receivables from Olfa was 6 610 thsd EUR (31.12.2014: 3 146 thsd EUR). As of 31 December 2015 the equity of OOO Olfa was negative amounting to 5.4 million EUR (31.12.2014: (7.4) million EUR) and the company had the profit for the year amounting to 0.3 million EUR (2014: loss (4.7) million EUR) excluding agreed participation in the realised currency loss coverage of 1.1 million euro disclosed in Note 7.

Outstanding balances at the year-end are unsecured, interest-free (except for loans issued) and settlement occurs in cash. There have been no guarantees provided or received for any related parties receivable or payables. Loans comprise the loans issued and interest accrued thereon.

The Parent company assesses the receivables from the related parties each financial year through examining the financial position of the respective related party and the market in which the related party operates.

Impairment of amounts owed by related parties

In the year 2015 the Parent company recognised allowance for doubtful debts in full amount owed by SIA Aroma 169 thsd EUR (accounts receivable of 121 thsd EUR and loan outstanding balance at the reporting year end of 48 thsd EUR), thus, the net amount receivable from SIA Aroma as at 31 December 2015 is nil.

During the financial year ended 31.12.2014 impairment for Parent company's investment in SIA First Class lounge was recognised. The impairment loss of 217 thsd EUR was allocated to the loan outstanding balance at that reporting year end. During the year 2015 due to restructuring of the loan the impairment amount 217 thsd EUR was fully attributed to accounts receivable from the Travel agency (see also Note 18).

During the previous years the Parent company recorded allowance for doubtful debt owed by SIA Carbochem in amount of 89 thsd EUR (2014: 89 thsd EUR). Thus, the net amount receivable from SIA Carbochem as at 31 December 2015 is nil (2014: 20 thsd EUR). There was no effect on the statement of comprehensive income for the years 2015 and 2014.

Transactions with key management personnel

The total unsettled amount due from the key management personnel Valērijs Maligins as at the year-end comprises 5 062 thsd EUR (2014: 4 140 thsd EUR). The unsettled balance as of 31 December 2015 contains loan issued by the Parent company. The outstanding balance as at 31.12.2015 has been split into long-term and short-term part and included in the statement of financial position accordingly. The interest on the loan is charged at 5.5% per annum.

On 28 April 2015 the Parent company and SIA First Class Lounge made a cession agreement with what the Parent company took over trade receivable from related party Valērijs Maligins in amount of 314 thsd EUR in exchange of the receivables from SIA First Class Lounge on the same amount. On 29 April, 2015 the Parent company and Vēlerijs Maligins amended mutual loan agreement adding receivable taken-over from SIA First Class Lounge 314 thsd EUR as short term part repayable in year 2015.

In December 2015 the Parent company and SIA First Class Lounge concluded a cession agreement stating that the Parent company takes over trade receivables from related party Valērijs Maligins in amount of 810 thsd. EUR in exchange of amounts due from SIA First Class Lounge on the same amount.

35. Segment information

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

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

Transfer prices between operating segments are on arm's length basis in a manner similar to transactions with third parties. Transfer prices of chemicals between operating segments within one legal entity for segment reporting purposes only are evaluated with average mark-up of 28%. Assets used by more than one segment are allocated proportionally on cost or revenue basis depending on nature of the asset. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated mainly based on revenue and operating profit or loss assessing the Group in total without Parent company level assessment.

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

	Finished form medicine	Chemicals	Pharmacy wholesale	Pharmacy retail	Silvanols	Total segments	Unallocated and eliminated	Consolidated
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Assets								
31.12.2015	55 055	21 301	4 394	19 215	4 577	104 542	13 589	118 131
31.12.2014	52 738	15 507	3 284	16 882	4 015	92 426	14 297	106 723
Liabilities								
31.12.2015	5 379	2 274	935	5 232	1 228	15 048	14 735	29 783
31.12.2014	5 149	1 198	1 398	5 382	1 325	14 452	19 226	33 678
Revenue								
External customers								
2015	69 669	4 625	2 619	16 821	3 658	97 392	-	97 392
2014	69 958	3 977	1 738	15 226	2 755	93 654	-	93 654
Inter-segment								
2015	366	16 031	8 179	-	426	25 002	(25 002)	-
2014	250	16 071	5 695	-	491	22 507	(22 507)	-
Total revenue								
2015	70 035	20 656	10 798	16 821	4 084	122 394	(25 002)	97 392
2014	70 208	20 048	7 433	15 226	3 246	116 161	(22 507)	93 654
Segment profit before tax								
2015	15 784	5 724	336	320	752	22 916	(5 272)	17 644
2014	14 562	5 596	293	536	499	21 486	(7 643)	13 843

35. Segment information (cont'd)

Reconciliation of profit	2015	2014
	EUR '000	EUR '000
Segment profit	**22 916**	**21 486**
Unallocated financial income	561	146
Unallocated financial expenses	(1 320)	(4 878)
Other unallocated income and expense	(3 635)	(1 573)
Inter-segment elimination	(878)	(1 338)
Profit before tax	**17 644**	**13 843**

Reconciliation of assets	31.12.2015	31.12.2014
	EUR '000	EUR '000
Segment operating assets	**104 542**	**92 426**
Unallocated long term assets	6 844	10 910
Unallocated short term assets	1 575	1 587
Cash managed on group level	5 170	1 800
Total assets	**118 131**	**106 723**

Reconciliation of Liabilities	31.12.2015	31.12.2014
	EUR '000	EUR '000
Segment operating liabilities	**15 048**	**14 452**
Deferred tax liability	620	439
Interest bearing loans and borrowings	11 674	15 385
Current tax liabilities	832	594
Other unallocated liabilities and eliminations	1 609	2 808
Total liabilities	**29 783**	**33 678**

Information on geographical segments

The major part of the Group's assets (approximately 99%) are located in Latvia. Information on sales by geographical segments is provided in Note 5.

36. Financial risk management

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

Financial risks

The main financial risks arising from the Group's and the Parent company's financial instruments are foreign currency risk, interest rate risk, liquidity risk, and credit risk.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign exchange rates. The Group's exposure to the risk of changes in the foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's functional currency).

36. Financial risk management (cont’d)

A significant part of the Group’s and the Parent company’s revenues is derived euros (2014: euros); the major part of expenses is in euros. The Group has no formal policy for foreign currency risk management. The trade receivables positions potentially exposed to currency risks are managed though pricing policies.

During the reporting period considerable currency instability was present in Russia, Ukraine, Kazakhstan and Belarus. These four countries combined account for more than 55% of the sales of the Group. Currency risk is mainly related to the Russia market where the pricing in general is established in Russian roubles. The Group regularly revaluate RUB prices with margin to cover adverse exchange rate change risk.

The Group’s and the Parent company’s financial assets and liabilities, which are exposed to foreign currency risk, comprise cash, trade receivables, trade payables, as well as current and non-current loans and borrowings. Mainly foreign currency risk exposure is of US dollar (USD) and Russian roubles (RUB).

The Group’s currency risk as at 31 December 2015 may be specified as follows:

		USD currency	RUB currency	Other currencies	EUR currency	Total EUR
		EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Trade receivables	2015	1 683	10 064	7	14 312	26 066
	2014	1 958	8 510	-	15 554	26 022
Loans receivable	2015	334	-	-	5 288	5 622
	2014	184	-	-	4 546	4 730
Other receivables	2015	-	2	218	642	862
	2014	8	2	22	652	684
Cash	2015	1 579	1 119	-	2 876	5 574
	2014	860	3	-	1 192	2 055
Total financial assets, EUR	2015	3 596	11 185	225	23 118	38 124
	2014	3 010	8 515	22	21 944	33 491
Loans and borrowings	2015	6	-	-	12 812	12 818
	2014	15	-	-	17 278	17 293
Payables and other liabilities	2015	132	39	7	14 840	15 018
	2014	82	418	5	14 240	14 745
Total financial liabilities, EUR	2015	138	39	7	27 652	27 836
	2014	97	418	5	31 518	32 038
Net asset/ (liabilities), EUR	2015	**3 458**	**11 146**	**218**	**(4 534)**	**10 288**
	2014	**2 913**	**8 097**	**17**	**(9 574)**	**1 453**

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

Currency exchange rate change		Potential net effect from USD exchange rate change	Potential net effect from RUB exchange rate change	Total EUR
		EUR '000	EUR '000	EUR '000
+25%	2015	(692)	(2 229)	(2 921)
	2014	(583)	(1 619)	(2 202)
+15%	2015	(451)	(1 454)	(1 905)
	2014	(380)	(1 056)	(1 436)
+5%	2015	(165)	(531)	(695)
	2014	(139)	(386)	(524)
-15.00%	2015	610	1 967	2 577
	2014	514	1 429	1 943
-25.00%	2015	1 153	3 715	4 868
	2014	971	2 699	3 670

36. Financial risk management (cont'd)

The Parent company's currency risk as at 31 December 2015 may be specified as follows:

		USD currency	RUB currency	Other currencies	EUR currency	Total EUR
		EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Trade receivables	2015	1 683	10 064	7	14 947	26 701
	2014	1 958	8 510	-	16 369	26 837
Loans receivable	2015	334	-	-	5 291	5 625
	2014	184	-	-	4 382	4 566
Other receivables	2015	-	2	218	448	668
	2014	8	2	22	515	547
Cash	2015	1 578	1 119	-	2 318	5 015
	2014	860	3	-	882	1 745
Total financial assets, EUR	2015	3 595	11 185	225	23 004	38 009
	2014	3 010	8 515	22	22 148	33 695
Loans and borrowings	2015	6	-	-	11 638	11 644
	2014	15	-	-	16 046	16 061
Payables and other liabilities	2015	132	39	7	12 888	13 066
	2014	92	265	7	12 370	12 734
Total financial liabilities, EUR	2015	138	39	7	24 526	24 710
	2014	107	265	7	28 416	28 795
Net asset/ (liabilities), EUR	2015	**3 457**	**11 146**	**218**	**(1 522)**	**13 299**
	2014	**2 903**	**8 250**	**15**	**(6 268)**	**4 900**

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

Currency exchange rate change		Potential net effect from USD exchange rate change	Potential net effect from RUB exchange rate change	Total EUR
		EUR '000	EUR '000	EUR '000
+25%	2015	(691)	(2 229)	(2 921)
	2014	(581)	(1 650)	(2 231)
+15%	2015	(451)	(1 454)	(1 905)
	2014	(379)	(1 076)	(1 455)
+5%	2015	(165)	(531)	(695)
	2014	(138)	(393)	(531)
-15.00%	2015	610	1 967	2 577
	2014	512	1 456	1 968
-25.00%	2015	1 152	3 715	4 868
	2014	968	2 750	3 718

Interest rate risk

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

The Group and the Parent company is exposed to interest rate risk mainly through its current and non-current borrowings. The average interest rate payable on the Group's and the Parent company's borrowings is disclosed in Notes 26 and 27.

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

36. Financial risk management (cont'd)

Interest rate sensitivity

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

Interest rate sensitivity for the Group may be specified as follows:

Year	EURIBOR change	Effect on profit before tax
		EUR '000
2015	+1.0%	(159)
	-0.5%	75
2014	+1.0%	(152)
	-0.5%	70

Interest rate sensitivity for the Parent company may be specified as follows:

Year	EURIBOR change	Effect on profit before tax
		EUR '000
2015	+1.0%	(143)
	-0.5%	71
2014	+1.0%	(146)
	-0.5%	73

Liquidity risk

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

The table below summarises the maturity profile of the Group's and the Parent company's financial liabilities at 31 December 2015 based on contractual undiscounted payments.

Group		On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	**Total**
		EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	**EUR '000**
Interest bearing loans and borrowings	2015	-	1 067	3 200	8 446	-	**12 713**
	2014	-	1 747	5 240	10 363	-	**17 350**
Other finance liabilities	2015	-	41	120	330	-	**491**
	2014	-	43	128	212	-	**384**
Trade and other payables	2015	5 446	2 912	51	28	-	**8 437**
	2014	8 305	853	704	-	-	**9 862**
TOTAL:	**2015**	**5 446**	**4 019**	**3 371**	**8 804**	**-**	**21 641**
	2014	**8 305**	**2 643**	**6 072**	**10 575**	**-**	**27 596**

Parent company		On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	**Total**
		EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	**EUR '000**
Interest bearing loans and borrowings	2015	-	899	2 696	7 969	-	**11 564**
	2014	-	1 441	4 324	10 337	-	**16 102**
Other finance liabilities	2015	-	37	112	287	-	**436**
	2014	-	40	121	205	-	**366**
Trade and other payables	2015	2 624	3 861	17	14	-	**6 516**
	2014	5 765	2 397	32	-	-	**8 194**
TOTAL:	**2015**	**2 624**	**4 797**	**2 825**	**8 270**	**-**	**18 516**
	2014	**5 765**	**3 879**	**4 477**	**10 542**	**-**	**24 663**

36. Financial risk management (cont'd)

Credit risk

The Group and the Parent company are exposed to credit risk through its trade and other receivables, issued loans, as well as cash. The Group assess credit risk concentration when individual counterparty (mainly, customer) share exceeds 10%. The Group manages its credit risk by continuously assessing the credit history of customers and borrowers and assigning credit terms on an individual basis. In addition, receivable balances are monitored on an ongoing basis to ensure that the Group's and the Parent company's exposure to bad debts is minimised. Trade receivables credit risk is limited with factoring of receivables when necessary or with export guarantee provided by Latvian Guarantee agency.

As of 31 December 2015 credit risk concentration of trade receivables from related party OOO Olfa for the Group was 32% (2014: 38%). OOO Olfa is the major counterparty for Ukrainian market. For additional information see note Related parties and Events after the reporting year end.

As of 31 December 2015 credit risk concentration of trade receivables from Russian customers of the Group was 32% (2014: 32%) mainly represented by seven similar size customers closely monitored on ongoing bases individually. None of individual Russian customer represents credit risk concentration above 10%.

Capital management

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

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

	Group		Parent company	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
	EUR '000	EUR '000	EUR '000	EUR '000
Interest bearing loans and other financial liabilities	12 818	17 293	11 644	16 061
Trade and other payables	8 437	9 862	6 516	8 194
Less: cash and cash equivalents	(5 574)	(2 055)	(5 015)	(1 745)
Net debt	15 681	25 100	13 145	22 510
Equity	88 348	73 045	88 466	73 900
Total capital and net debt	**104 029**	**98 145**	**101 611**	**96 410**
Gearing ratio	15%	26%	13%	23%

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

At 31 December 2015, the Parent company met all capital requirements set by the credit institutions. According to legal requirements, the Board of the Parent company must ask the shareholders' meeting to address the going concern issue if the equity falls below 50% of the total capital.

36. Financial risk management (cont'd)

Fair value

The fair value of the financial assets and liabilities represent the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities at 31 December 2015 valuation date.

Assets and liabilities for which FV is disclosed	Total at carrying value	Total at fair value	Fair value measurement using: quoted prices in active markets (level 1)	significant observable inputs (level 2)	significant unobservable inputs (level 3)
	EUR '000	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**
Loans to management, employees and shareholders	5 543	5 543			5 543
Loans to associated companies	79	79			79
Finance lease obligations	457	457		457	
Floating rate borrowings	12 361	12 361		12 361	

The following table provides the fair value measurement hierarchy of the Parent company's assets and liabilities at 31 December 2015 valuation date.

Assets and liabilities for which FV is disclosed	Total at carrying value	Total at fair value	Fair value measurement using: quoted prices in active markets (level 1)	significant observable inputs (level 2)	significant unobservable inputs (level 3)
	EUR '000	**EUR '000**	**EUR '000**	**EUR '000**	**EUR '000**
Loans to management, employees and shareholders	5 525	5 525			5 525
Loans to related and associated companies	100	100			100
Finance lease obligations	413	413		413	
Floating rate borrowings	11 231	11 231		11 231	

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

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

37. Standards issued but not yet effective

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

Amendments to IAS 1 Presentation of financial statements: Disclosure Initiative (effective for financial years beginning on or after 1 January 2016)

The amendments to IAS 1 further encourage companies to apply professional judgment in determining what information to disclose and how to structure it in their financial statements. The Group and the Parent company have not yet evaluated the impact of the implementation of this standard.

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative (effective for financial years beginning on or after 1 January 2017, once endorsed by the EU)

The amendments improve information provided to users of financial statements about an entity's financing activities. Entities are required to disclose changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, for example, by providing reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. The implementation of these amendments will not have any impact on the financial position or performance of the Group and the Parent company, but may result in changes in disclosures.

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealized Losses (effective for financial years beginning on or after 1 January 2017, once endorsed by the EU)

The amendments clarify how to account for deferred tax assets for unrealized losses on debt instruments measured at fair value. The Group and the Parent company have not yet evaluated the impact of the implementation of this standard.

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

Amendments to IAS 16 Property, Plant & Equipment and IAS 38 Intangible assets: Clarification of Acceptable Methods of Depreciation and Amortization (effective for financial years beginning on or after 1 January 2016)

The amendment provides additional guidance on how the depreciation or amortisation of property, plant and equipment and intangible assets should be calculated. It is clarified that a revenue-based method is not considered to be an appropriate manifestation of consumption. The implementation of this amendment will have no impact on the financial statements of the Group and the Parent company, as the Group and the Parent company do not use revenue-based depreciation and amortisation methods.

Amendments to IAS 19 Employee Benefits (effective for financial years beginning on or after 1 February 2015)

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

Amendments to IAS 27 Equity method in separate financial statements (effective for financial years beginning on or after 1 January 2016)

The amendments reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. The Parent company has not yet evaluated the impact of the implementation of this standard.

Amendment to IFRS 11 Joint arrangements: Accounting for Acquisitions of Interests in Joint Operations (effective for financial years beginning on or after 1 January 2016)

IFRS 11 addresses the accounting for interests in joint ventures and joint operations. The amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business in accordance with IFRS and specifies the appropriate accounting treatment for such acquisitions. These amendments are not expected to have any impact on the Group and the Parent company.

IFRS 9 Financial Instruments (effective for financial years beginning on or after 01.01.2018, once endorsed by the EU)

IFRS 9 replaces IAS 39 and introduces new requirements for classification and measurement, impairment and hedge accounting. The Group and the Parent company have not yet evaluated the impact of the implementation of this standard.

Amendments to IFRS 10, IFRS 12 and IAS 28 - Investment Entities: Applying the consolidation exception (effective for financial years beginning on or after 1 January 2016, once endorsed by the EU)

The amendments address issues that have arisen in the context of applying the consolidation exception for investment entities. The implementation of this amendment will have no impact on the financial statements of the Group and the Parent company.

Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (endorsement deferred indefinitely)

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business and partial gain or loss is recognised when a transaction involves assets that do not constitute a business. These amendments are not expected to have any impact on the Group.

IFRS 15 Revenue from Contracts with Customers (effective for financial years beginning on or after 1 January 2018, once endorsed by the EU)

IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer, regardless of the type of revenue transaction or the industry. Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. The Group and the Parent company have not yet evaluated the impact of the implementation of this standard.

IFRS 16 Leases (effective for financial years beginning on or after 1 January 2019, once endorsed by the EU)

IFRS 16 replaces IAS 17 and specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting is substantially unchanged. The Group and the Parent company have not yet evaluated the impact of the implementation of this standard.

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

Improvements to IFRSs

In December 2013 IASB issued the Annual Improvements to IFRSs 2010 – 2012 Cycle (effective for financial years beginning on or after 1 February 2015):

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

In September 2014 IASB issued the Annual Improvements to IFRSs 2012 – 2014 Cycle (effective for financial years beginning on or after 1 January 2016):

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operation;
- IFRS 7 Financial Instruments: Disclosures;
- IAS 19 Employee Benefits;
- IAS 34 Interim Financial Reporting.

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

38. Events after the reporting year end

In January, 2016 100% of shares in company SIA Rūpes Farm aptieka, owning one pharmacy in Riga were acquired and registered by the Commercial register. Purchase consideration of 350 thsd. EUR was transferred to the owners of the company.

In 2016 100% of shares in company SIA Kivvi Cosmetics, engaged in development and production of eco-cosmetics, were acquired for purchase consideration of 226 thsd EUR. The acquisition was registered by the Commercial register in March, 2016.

On March 4, 2016 the commercial activity of bank LAS Trasta komercbanka was ceased. After guaranteed 100 thsd EUR withdrawal the cash blocked in bank is 58 thsd EUR. Together with stopping of commercial activity and initiation of liquidation process of the bank, the international factoring contract in respect of receivables from OOO Olfa stopped to fulfil its main function of receivables guarantee. The outstanding amount of factorised receivables from OOO Olfa as of the date of signing of these financial statements is 4 113 thsd EUR and no advance financing requested or received from factor (see also Notes 20 and 34).

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