

JOINT-STOCK COMPANY „SALDUS MEŽRŪPNIECĪBA”

(SINGLE REGISTRATION NUMBER 40003020121)

ANNUAL REPORT FOR THE YEAR 2013

PREPARED IN ACCORDANCE WITH
THE LAW OF THE REPUBLIC OF LATVIA ON ANNUAL REPORTS

AND INDEPENDENT AUDITORS' STATEMENT

Saldus, 2014

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Information about the Company

Name of the Company	Saldus Timber Wood Industry (Saldus mežrūpniecība)
Legal status of the Company	Joint Stock Company
Registration number, place, and date	40003020124 August 26, 1991, Rīga
Address	Kuldīgas iela 86C, Saldus, Saldus rajons, LV 3801
The main areas of activities of the Company	Forestry, commercial timber preparation and related services; production of board lumber, etc.
Members of the Board: name, surname, position	Janis Bertrāns (<i>Jānis Bertrāns</i>) – Chancellor of the Board Janis Mierkalns (<i>Jānis Mierkalns</i>) – member of the Board Gatis Zommers (<i>Gatis Zommers</i>) – member of the Board
Members of the Council: name, surname, position	Uldis Mierkalns (<i>Uldis Mierkalns</i>) – Chairman of the Council Lolita Burkovska (<i>Lolita Burkovska</i>) – Deputy Chairman of the Board Maris Elleris (<i>Māris Elleris</i>) – member of the Council Janis Leimanis (<i>Jānis Leimanis</i>) – member of the Council Martins Knipšis (<i>Mārtiņš Knipšis</i>) – member of the Council
Subsidiary enterprise	
1. Name of the company	<i>Pukuli Sports Premises (Pakuļu sporta bāze) (100%)</i>
Legal status of the company	Limited Liability Company
NUMBER AND DATE OF REGISTRATION IN THE COMMERCIAL REGISTER	48503009010 November 21, 2002
Address	“Mežvidi”, Novadnieku pag. Saldus rajons LV 3801
The main areas of activities of the company	Hunting and related services. Organisation of training and competitive shooting using hunting weapons.
Owner of the company	Saldus Timber Wood Industry(Saldus mežrūpniecība), JSC – 100%
Reporting year	January 1 – December 31, 2013
2. Name of the company	Woodworking Centre No.3 (<i>Деревообрабатывающий комбинат № 3</i>) (100%)
Legal status of the company	Limited Liability Company
Registration number, date, place	(ООО - Общество с ограниченной ответственностью) 1066027046337 October 9, 2006
Address	Russia: 180005, Россия, г. Псков, Зональное шоссе, д. 44-А
The main areas of activities of the company	Woodworking, production of board lumber
Owner of the company	Saldus Timber Wood Industry(Saldus mežrūpniecība), JSC – 100%
Reporting year	January 1 – December 31, 2013
3. Name of the company	Saldus (<i>Салдус</i>) (100%)
Legal status of the company	Limited Liability Company
Registration number, date, place	(ООО - Общество с ограниченной ответственностью) 1056000426371 21. December 2005
Address	Russia: 180005, Россия, г. Псков, Зональное шоссе, д. 44-А
The main areas of activities of the company	Purchase of lumber
Owner of the company	Saldus Timber Wood Industry (Saldus mežrūpniecība), JSC – 100%
Reporting year	January 1 – December 31, 2013
Name and address of the Auditor	Svetlana Koļesņikova Sworn Auditor (Certificate of Latvian Sworn Auditor No.22)

Management announcement

To Report of economic activity for the 2013

Business description in the framework of report period

The core businesses of the commercial company are logging and primary wood processing – lumber production.

In its economic activities, company complies with FSC and environmental protection requirements. For the compliance with these requirements, company takes corresponding monitoring and improvement measures on regular basis, but the share of these costs in production cost is not significant.

Profit of A/s „Saldus mežrūpniecība” for the year 2013 are 74 330 LVL at the net turnover of 30 529 875 LVL, which means profit on one share issued of 0.19 LVL.

The financial report is prepared on the base of information that is at share company board’s disposal and in compliance with requirements of effective normative acts, it provides true and clear picture on assets, liabilities, financial position and profit or losses of the share company. There is true information included in the announcement. Members of council have decided to leave the profit undistributed.

Forecasts for financial statements and operational plans of 2014

Management of the company continues work on internal restructuring of the company aimed at adjusting to existing market situation and improvement of economic situation and financial indicators of the company. Management policy is not based on wide ranging economic activities, rather than on development of economic activities in two interrelated areas, by increasing production volumes, increasing productivity of work.

Business and financial risk management policy

In order to increase competitiveness of the company in this economic situation, the production volumes are being increased by more rational use of company resources, by organization of long-term cooperation with providers of resources and by searching for new markets and analyzing client’s solvency. The increase of production volumes is being based on the existing, already concluded realization agreements and already signed letters of intent.

The interests of the commercial company are the care for social protection and welfare of its employees, because only thus the development of society can be sustainable.

In order to reduce financial risks, commercial company carries out planning of budget and cash flow, where different scenarios for development are foreseen. The management carries out monitoring and control of economic activities and actual finance flow on regular basis in the companies of the holding. Credit institutions that carry out assessing of financial risks of the holding on regular basis, when they are determining credit rating of the holding, can be regarded as additional guarantors of the assessing of risks.

April 30, 2014

Board:

Jānis Bertrāns
Chancellor of the Board

Jānis Mierkalns
member of the Board

Gatis Zommers
member of the Board

Statement of Management Responsibility

Management is responsible for preparing financial statements based on the initial accounting records of each year of account, which truly reflects the company's financial position at the end of the year of account, as well as results of operations and cash flows for the period.

The Management confirms that, in preparing this report for the period ending on 31 December 2013, proper accounting methods were used, their application was consistent, reasonable and prudent decisions were taken. The Management confirms that the relevant International Accounting Standards have been observed and the financial statements have been prepared in accordance with the principle of continuation. The Management is responsible for keeping proper accounting records, the company's resources conservation as well as fraud prevention and prevention of other irregularities.

Profit or loss calculation

	Note	31.12.2013 LVL	31.12.2012 LVL	31.12.2013 EUR	31.12.2012 EUR
Net turnover	4	30 529 875	27 091 595	43 440 099	38 547 867
Production costs of the sold production	5	-30 355 820	-24 608 037	-43 192 441	-35 014 082
Gross profit		174 055	2 483 558	247 658	3 533 785
Selling costs	6	-41 370	-497 078	-58 864	-707 278
General administration costs	7	-235 746	-221 238	-335 436	-314 793
Other income from company's economic activity	8	354 035	167 362	503 746	238 135
Other expenditures from company's economic activity	8	-401 416	-512 464	-571 164	-729 171
Profit or loss from economic activity		-150 442	1 420 140	-214 060	2 020 677
Other interest income and the like income	9	65 039	31 785	92 542	45 226
Other interest payments and the like payments	9	-250 259	-145 502	-356 086	-207 031
Profit or loss before extraordinary items and taxes		-335 662	1 306 423	-477 604	1 858 872
Company's deferred income tax	10	423 939	-209 138	603 211	-297 577
Other taxes	11	-13 947	-12 592	-19 845	-17 917
Profit or (loss)		74 330	1 084 693	105 762	1 543 379
Profit/loss on share		0,19	2,80	0,27	3,99
lats per share/EUR per share					

The annex is an integral part of this financial statement

Board:

Jānis Bertrāns
 Chancellor of the Board

Jānis Mierkalns
 member of the Board

Gatis Zommers
 member of the Board

Balance sheet

ASSETS						
		Note	31.12.2013	31.12.2012	31.12.2013	31.12.2012
			LVL	LVL	EUR	EUR
LONG-TERM INVESTMENTS						
Intangible investments						
Concessions, patents, licences, trademarks and the like items			2 920	3 631	4 155	5 166
	TOTAL	12	2 920	3 631	4 155	5 166
Fixed assets						
Land, premises and buildings			4 245 150	3 378 883	6 040 304	4 807 717
Equipment and machinery			8 050 846	7 021 772	11 455 322	9 991 081
Other fixed assets			56 473	62 084	80 354	88 338
Unfinished constructions			29 657	912 400	42 198	1 298 229
Advance payments for fixed assets			0	46 025	0	65 488
	TOTAL	13	12 382 126	11 421 164	17 618 178	16 250 853
Biological assets						
			654 958	719 301	931 921	1 023 473
Long-term financial investments						
Participation in the capital of related companies		14	709 234	709 234	1 009 149	1 009 149
Investment in associated companies		15	6 002	0	8 540	0
Loans to the related companies		16	711 513	632 020	1 012 392	899 283
Deferred tax assets		10	239 831	0	341 249	0
	TOTAL		1 666 580	1 341 254	2 371 330	1 908 433
TOTAL LONG-TERM INVESTMENTS			14 706 584	13 485 350	20 925 584	19 187 925
CURRENT ASSETS						
Stocks						
Raw materials, direct materials, auxiliary materials*			1 431 787	1 139 066	2 037 249	1 620 745
Biological assets			346 605	251 989	493 174	358 548
Unfinished production*			443 497	445 019	631 039	633 205
Finished production and goods for sale			726 174	390 969	1 033 253	556 299
Advance payments for goods			17 153	17 153	24 407	24 407
	TOATL	17	2 965 216	2 244 196	4 219 122	3 193 204
Noncurrent assets held for sale						
Fixed assets held for sale			53 616	62 203	76 289	88 507
Debtors						
Debts of buyers and customers		18	2 769 153	933 164	3 940 150	1 327 773
Debts of subsidiaries		18	316 008	266 003	449 639	378 488
Other debtors		19	25 067	103 014	35 667	146 576
Expenditures of the next periods		20	17 654	21 413	25 119	30 468
	TOTAL		3 127 882	1 323 594	4 450 575	1 883 305
Money and its equivalents						
		21	19 857	10 433	28 254	14 845
TOTAL CURRENT ASSETS			6 166 571	3 640 426	8 774 240	5 179 860
TOTAL ASSETS			20 873 155	17 125 777	29 699 824	24 367 786

*Reclassification of inventories: Raw material (round timber in forest and in sawmill) is reclassified from unfinished goods to raw materials, note 17.

The annex is an integral part of this financial statement.

Board:

Jānis Bertrāns Chancellor of the Board	Jānis Mierkalns member of the Board	Gatis Zommers member of the Board
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Balance sheet (continuation)

		31.12.2013	31.12.2012	31.12.2013	31.12.2012
	Note	LVL	LVL	EUR	EUR
Shareholders' equity					
Share capital	22	387 136	387 136	550 845	550 845
Increase of price of the issue of shares		1 987	1 987	2 827	2 827
Reserves from revaluation of long-term investments		780 332	802 492	1 110 312	1 141 843
Other reserves		2 623 085	2 623 085	3 732 314	3 732 314
Retained earnings from the previous year		1 518 853	434 160	2 161 133	617 754
Retained earnings from the year of account		74 330	1 084 693	105 762	1 543 379
Total shareholders' equity		5 385 723	5 333 553	7 663 193	7 588 962
Accruals for holiday					
	28	156 127	109 544	222 149	155 867
TOTAL		156 127	109 544	222 149	155 867
Long-term liabilities					
Long-term loans from credit institutions	23	9 651 910	3 506 035	13 733 431	4 988 638
Other creditors	27	925 359	4 025 359	1 316 667	5 727 570
Deferred company's income tax	10	0	184 108	0	261 962
Long-term part of incomes from next periods	30	1 428 042	395 725	2 031 921	563 066
TOTAL		12 005 311	8 111 227	17 082 019	11 541 236
Short-term liabilities					
Short-term loans from credit institutions	23	1 098 244	912 099	1 562 660	1 297 800
Short-term part of financial lease	24	0	7 415	0	10 551
Debts to suppliers and contractors	25	1 664 340	1 999 376	2 368 142	2 844 856
Advance payments received from buyers	29	64 415	91 430	91 654	130 093
Taxes payable	26	84 257	142 547	119 887	202 826
Other creditors	27	72 561	76 399	103 245	108 706
Incomes from the next periods short-term part	30	342 177	342 187	486 874	486 888
TOTAL		3 325 994	3 571 453	4 732 463	5 081 720
Total liabilities		15 331 305	11 682 680	21 814 482	16 622 956
Total shareholders' equity and liabilities		20 873 155	17 125 777	29 699 824	24 367 786

The annex is an integral part of this financial statement

Board:

Jānis Bertrāns
 Chancellor of the Board

Jānis Mierkalns
 member of the Board

Gatis Zommers
 member of the Board

Cash flow statement

	2013	2012	2013	2012
	LVL	LVL	EUR	EUR
I. Cash flow from basic activity				
Profit (+) or loss (-) before extraordinary items and taxes:	-335 662	1 306 423	-477 604	1 858 872
wear and tear of fixed assets and intangible investments (+)	1 384 204	1 047 857	1 969 545	1 490 966
elimination of fixed assets and intangible investments	4	29	6	41
revaluation of long-term investments	-25 120	-63 130	-35 743	-89 826
revaluation of biological assets	31 835	-233 234	45 297	-331 862
Accruals (except accruals for doubtful debts)	46 583	22 577	66 282	32 124
profit (-) or loss (+) from fluctuations of exchange rate	12 121	-7 474	17 247	-10 635
Interest income	-28 194	-23 248	-40 116	-33 079
Income from finansation recognition	1 032 307	-208 693	1 468 841	-296 943
Interest expenditure	188 109	124 055	267 655	176 514
Profit or loss before the corrections of the impact of balance changes of current assets and short-term liabilities	2 306 187	1 965 162	3 281 408	2 796 173
increase (+) or decrease (-) of debtors debt	-1 777 530	-726 517	-2 529 197	-1 033 741
increase (+) or decrease (-) of the reserves of accruals	-712 433	-119 196	-1 013 701	-169 601
increase (+) or decrease (-) of the remainder of debts payable to suppliers, contractors and other creditors	-3 544 843	738 948	-5 043 857	1 051 428
Gross cash flow from basic activity	-3 728 619	1 858 397	-5 305 347	2 644 260
Expenditures to pay interest payments	-187 394	-124 055	-266 638	-176 514
Net cash flow from basic activity	-3 916 013	1 734 342	-5 571 985	2 467 746
II. Cash flow from investments				
Income from selling fixed assets and intangible investments	63 000	402 273	89 641	572 383
Acquisition of fixed assets and intangible investments	-2 371 991	-1 241 169	-3 375 039	-1 766 024
Expenditures for advance payments for fixed assets and unfinished	0	-1 114 100	0	-1 585 221
Loans issued	-90 177	-86 196	-128 310	-122 646
Net cash flow from investments	-2 399 168	-2 039 192	-3 413 709	-2 901 509
III. Cash flow from financing activities				
Recieved loans	7 248 774	571 908	10 314 076	813 752
Expenditures for paying back loans	-916 754	-130 370	-1 304 423	-185 500
Expenditures for redemption of asset that was hired	-7 415	-130 786	-10 551	-186 092
Cash flow from financing activities	6 324 605	310 752	8 999 102	442 160
IV. Fluctuations of exchange rate	0	0	0	0
V. Net cash flow of the year of account increase (+), decrease (-)	9 424	5 902	13 409	8 397
VI. Money and its equivalents balance at the beginning of the year of account	10 433	4 531	14 845	6 447
VII. Money and its equivalents balance at the end of the year of account	19 857	10 433	28 254	14 845

Cash flow statement is prepared according to indirect method in accordance with rules of The Cabinet of Ministers no. 481.

The annex is an integral part of this financial statement
 Board:

Jānis Bertrāns Chancellor of the Board	Jānis Mierkalns member of the Board	Gatis Zommers member of the Board
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Statement on the changes in own capital

	Share capital	Share premium	Reserves from revaluation of long-term investments	Other reserves	Previous years retained earnings	Retained profit/loss of the year of account	Total own capital
	LVL	LVL	LVL	LVL	LVL	LVL	LVL
December 31, 2011	387 136	1 987	802 492	2 623 085	-100 796	534 956	4 248 860
Distribution of profit of the year 2011	0	0	0	0	534 956	-534 956	0
Profit of the year of account	0	0	0	0	0	1 084 693	1 084 693
December 31, 2012	387 136	1 987	802 492	2 623 085	434 160	1 084 693	5 333 553
Distribution of profit of the year 2012	0	0	0	0	1 084 693	-1 084 693	0
Investment revaluation reserve	0	0	-22 160	0	0	0	-22 160
Profit of the year of account	0	0	0	0	0	74 330	74 330
December 31 2013	387 136	1 987	780 332	2 623 085	1 518 853	74 330	5 385 723
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
December 31, 2011	550 845	2 827	1 141 843	3 732 314	-143 420	761 174	6 045 583
Distribution of profit of the year 2011	0	0	0	0	761 174	-761 174	0
Profit of the year of account	0	0	0	0	0	1 543 379	1 543 379
December 31, 2012	550 845	2 827	1 141 843	3 732 314	617 754	1 543 379	7 588 962
Distribution of profit of the year 2012	0	0	0	0	1 543 379	-1 543 379	0
Investment revaluation reserve	0	0	-31 531	0	0	0	-31 531
Profit of the year of account	0	0	0	0	0	105 762	105 762
December 31 2013	550 845	2 827	1 110 312	3 732 314	2 161 133	105 762	7 663 193

The annex is an integral part of this financial statement

Board:

Jānis Bertrāns
 Chancellor of the Board

Jānis Mierkalns
 member of the Board

Gatis Zommers
 member of the Board

Annex to the financial statement

1. Corporative information

The joint stock company „Saldus mežrūpniecība” (hereinafter - the Company) was registered with the Republic of Latvia Enterprise Register on 26 August 1991 and with the Republic of Latvia Commercial Register on 8 May 2004. Company main economic activity will be logging and production of sawn timber.

2. Important accounting principles

Basis of preparation

The financial statements present only the financial position of JSC „Saldus mežrūpniecība” as a stand-alone entity; the financial position of companies belonging to the JSC „Saldus mežrūpniecība Group (i.e. JSC „Saldus mežrūpniecība and its subsidiaries) is presented in a separate set of consolidated financial statements.

The financial statements of JSC „Saldus mežrūpniecība have been prepared in accordance with the Law of the Republic of Latvia on Annual Reports applicable in the reporting year.

The financial statements are prepared on a historical cost basis. The monetary unit used in the financial statements is lat (LVL), the monetary unit of the Republic of Latvia. The financial statements cover the period 1 January 2013 through 31 December 2013.

Use of calculations (continuation)

When preparing financial statements, the management have to base on certain calculations and assumptions, which influence the remainders of the balance and the profit or loss posts shown in particular statements as well as the amount of possible liabilities. Future events may have an impact on assumptions which were taken into consideration when separate calculations were made. Any influence of calculations is shown in the financial statement at the moment of their determination.

Decrease of the value of assets

At the end of each year the Holding audits if there are no signs of the decrease of the value of assets. If there are such signs or if the Holding has to carry out the annual audit of the decrease of the value of assets, the Holding establishes the recoverable amount for each asset. The recoverable amount is the biggest amount of selling value from which is subtracted expenditures related to the selling value and use-values. In order to determine the decrease of value, assets are grouped in the lowest possible level for which it is possible to separately determine cash flows (cash flow generating assets). If the balance value of assets is bigger than its recoverable amount, the decrease of the value of asset is acknowledged and the assets are written of to its recoverable amount. Losses from the decrease of value are shown in profit or loss calculation as expenditures from other economic activity

Foreign currency translation

The functional and presentation currency of the Company is Latvian lats (LVL). Transactions in foreign currency are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Latvian lats applying the official exchange rate established by the Bank of Latvia 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.

Currency exchange rates established by the Bank of Latvia:

	31.12.2013	31.12.2012
	Ls	Ls
1 RUB	0.0156	0.0174
1 USD	0.515	0.531
1 EUR	0.702804	0.702804

Intangible investment

Intangible assets include software licences used in the company, intangible value and other intangible assets.

Intangible assests are accounted for their cost value which is depreciated for the useful life of assets on a sraight line basis. Should any events or conditions indicate that accounting value of intangible assets be non-recoverable, the value of respective intangible assets is revalued in order to establish decrease of accounting value of intangible assets. Losses resulting from decrease of value are accounted when the accounting value of intangible assets increases the recoverable amount.

Software licences used in the company afre accounted for their cost value less depreciation accrued.

Depreciation is calculated for the whole period of useful life by a stright line method. Costs associated with maintenance of software are accounted as costs in the income statement. See Paragraph 12 of the Annex.

Property, plant and equipment

Depreciation is calculated starting from the next month following launch of assets for use or operation. Depreciation is calculated separately for each part of property, plant and equipment the costs of which are significant against total costs of this asset. When property, plant and equipment is sold or depreciated, the initial cost and depreciation accrued is excluded from accounting and loss or profit from sale of assets is reflected in the income statement.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Buildings	10-20 years
Equipment and machinery	2-10 years
Forestry equipment	3- 5 years
Timber processing lines	3-10 years
Other property, plant and equipment	2-10 years
Data processing and storage equipment, software	2-5 years

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 assets have been put into operation, such as repair and maintenance and overhaul costs, are normally charged to the income statement in the period when incurred. In situations where it can be clearly demonstrated that the expenses have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, such expenses are capitalised as an additional cost of property, plant and equipment.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable value. As possible certified valuers have performed revaluation of the property, plant and equipment by applying the depreciated replacement cost model.

Construction in progress represents assets 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 put into operation.

In accordance with the accounting policies - land of forests are valued using the revaluation method. A plot shall be performed on a regular basis depending on changes in value. If the asset (the land of forests), the revalued value is not significantly different from its balance sheets value, they are revalued every five years by ordering evaluation to the certified forests assessor. In case of radical changes in the real estate market valuation may be ordered more frequently. Last evaluation is made on 31.12.2013. Records are prepared in accordance with the Cabinet of Ministers Regulations No. 488 "The law of Annual report" requirement.

Movement of company property, plant and equipment is shown in the Paragraph 13 of the Annex.

Biological assets

In 2008 the company management decided to change accountancy politics for forest stands, complying with IAS 41 Agriculture. According to the new accountancy politic the forest stands are evaluated as biologic assets. The evaluation is based on the actual data from the State Forest Service (SFS). The forest stands are initially accounted at their purchase value, but after the first development the remaining part of the forest stand is accounted at its fair value. The fair value is determined by calculating the net present value of the cash flows from the biologic assets at 2013 applying discount rate of 6%. The felling area's cubic meter average purchasing price is set to be the average felling area's cubic meter price during 2013. The difference between the accounting value and the value established in reevaluation is recognized as income or outcome during the accounting period, depending whether the value has increased or decreased during the reevaluation. It appears in the profit and loss account as net turnaround or production costs of sales. Biologic assets which development are not possible in one year time are shown in the balance sheet as long-term investments (held with intention for sale) or as non-current assets.

Investments in subsidiaries

Investments in subsidiaries (i.e. where the Company holds more than 50% interest of the share capital or otherwise controls the company) are stated in accordance with the cost method. Following initial recognition, investments in subsidiaries are carried at cost less any accumulated impairment losses. The carrying values of investments in subsidiaries are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The Company recognises income from the investment only to the extent that the Company receives distributions from accumulated profits of the investee arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognised as a reduction of the cost of the investment

Reserves

Unfinished products

Reserves are accounted in their lowest cost value and net selling value. Cost is calculated by applying the FIFO method- first in, first out. Net selling value is the calculated selling price which is normally used in business by subtracting the expenditures needed to finish and sell products.

Raw materials are accounted in their purchase costs.

Finished and unfinished products are accounted in their direct costs (raw materials and labour) by adding indirect expenditures needed for their production (salaries, electricity, wear and tear and other related costs which would be used in usual production volumes).

Finished products are accounted in their lowest cost or net selling value. Net selling value is the calculated selling price in normal business activity by subtracting expenditures which will be needed to finish and sell the products.

The company regularly estimates if the value of reserves has not decreased due to aging or damage. Corresponding loss is included in the profit or loss calculation as production costs of sold products. When damaged products are physically destroyed, the value of reserves and the value of appropriate reserves are written off.

Debts of buyers and customers

Debts of buyers and customers in the balance sheet are shown according to their initial amount except for reserves for insecure debts. Reserves for insecure debts are calculated when it is unlikely that the whole amount of debt could be recovered. Debts are written off when the recovery of it is believed impossible.

Money and its equivalents

Money and its equivalents is money in the bank and cash register as well as other short-term investments with high liquidity and the initial term up to 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.

Accruals

Accruals are acknowledged if the Holding has an obligation (legal or arising from practise) caused by a past event or if there is a probability that in order to meet the liabilities the Holding will have to use its funds and when it is possible to plausibly enough estimate the amounts of these liabilities. If the Holding anticipates that expenditures needed to make accruals will be fully or partly paid back, refund of these expenditures is acknowledged as a separate asset only when it is practically clear that these expenditures will be refunded. Expenditures related to accruals in the profit or loss calculation are shown, except for the sums which will be needed to reimburse expenditures.

Credits and loans

Credits and loans initially are shown in their initial value, which is calculated by subtracting or adding to the real value of credit or loan expenditures related to the receiving or granting the loan.

Property revaluation surplus

The revaluation surplus is included in other comprehensive income and accrued amount is reflected in equity under the heading "Investment revaluation reserve".

Deferred income

Government grants related to assets, including non-monetary grants, are accounted for at fair value, presented as deferred income in the statement of financial position, which are recognised as income from the different exercises on a systematic and rational, over the life of the related assets.

Lease

Finance leases, which transfer to the 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. 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 charged directly against income as interest payments.

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 income statement on a straight-line basis over the lease term and are accounted in the income statement for the whole lease period according to straight-line basis.

More detailed information on this finance lease is available in Note 24.

Income recognition

Incomes are recognised in proportion to assurance that the Holding shall gain profit and in the amount that it will be possible to determine it. With income recognition the following conditions are taken into consideration:

Rendering of services

Company income is mainly derived from rendering of transport services, and timber processing related services. Income from provision of services is accounted according to the volume of respective service rendered. Revenue is recognised in the period when the services are rendered.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, which is when the Company has delivered products to the buyer and the buyer has accepted products according to the contract provisions and satisfactory evidence is acquired as to receipt of debtors receivables.

Interest

Interest is recognised according to savings method.

Dividends

Revenue is recognised when the shareholders' right to receive the payment is established.

Income from lease

Income from lease (investments in properties) is accounted for the lease agreements in force and for the whole period of lease.

Corporate income tax

Corporate income tax includes current and deferred taxes. Current corporate income tax is applied at the rate of 15% set in legislative acts of the Republic of Latvia on taxable income generated by the 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 Company's non-current assets, the treatment of temporary non-taxable provisions and reserves, as well as temporary difference in interest or securities in excess of set limits and tax losses carried forward for the subsequent five years. Asset of deferred corporate income tax is only reflected in the financial statements if sufficient evidence is acquired as to the planned recoverability of it.

Associated persons

Associated persons are Holding's parent company's subsidiary companies and shareholders who can significantly influence the activity of the Holding's parent company, the members of council and board, their close relatives and companies in which the said persons have significant impact or control.

Possible liabilities and assets

In this financial statement the possible liabilities are not acknowledged. As liabilities they are acknowledged only when the possibility that funds will be spent becomes pretty plausible. Possible assets in this financial statement are not acknowledged, but they are shown only when plausibility that economic gains related to a transaction will reach the Holding is pretty grounded.

Share capital

Company is a joint stock company. Company share capital is LVL 387 136. And consist of 108 500 bearer shares and 278 636 registered shares. All shares are denominated and are dematerialised. More detailed information on spread of share capital is given in the Note 22.

Accruals and deferred liabilities

Accrual and deferred liabilities are accounted for cost and expense to be recognised at the moment of occurrence.

Events after the end of the year of account

After the year of account, in the financial statement are shown the events which give additional information about the Holding's financial situation on the date of drawing up the balance sheet (correcting events). If the events after the end of the year of account are not correcting, they are shown in the notes of the annex to the financial statement only if they are significant.

3. Segments of the Holding activities

	Logging		Timber processing		Other		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
	LVL	LVL	LVL	LVL	LVL	LVL	LVL	LVL
Net turnover	4 422 853	6 376 341	23 192 259	18 709 904	2 914 763	2 005 350	30 529 875	27 091 595
Production costs of the sold production	-4 086 487	-5 051 323	-22 788 898	-17 488 009	-3 480 435	-2 068 705	-30 355 820	-24 608 037
Selling costs	-1 867	-457 080	-10 585	-2 317	-28 918	-37 681	-41 370	-497 078
General administration costs	-5 875	-4 515	-12 655	-13 321	-217 216	-203 402	-235 746	-221 238
Other income/expenditures from company's economic activity	-3 594	-8 812	-88 874	-112 634	45 087	-223 656	-47 381	-345 102
Profit or loss from economic activity	325 030	854 611	291 247	1 093 623	-766 719	-528 094	-150 442	1 420 140
Other interset income/payments and the like income	-5 185	-5 565	-63 958	-18 074	-116 077	-90 078	-185 220	-113 717
Company's deferred income tax	0	0	0	0	423 939	-209 138	423 939	-209 138
Other taxes	0	0	-5 680	0	-8 267	-12 592	-13 947	-12 592
Income from segments activities	-9 559	-85 045	-155 749	-55 211	165 308	140 256	0	0
Profit or (loss)	310 286	764 001	65 860	1 020 338	-301 816	-699 646	74 330	1 084 693
Segment assets	3 023 887	4 030 763	15 856 456	11 827 345	1 992 812	1 267 669	20 873 155	17 125 777
Segment liabilities	2 809 935	3 515 430	15 670 016	12 170 647	2 393 204	1 439 700	20 873 155	17 125 777

	Logging		Timber processing		Other		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Net turnover	6 293 153	9 072 716	32 999 612	26 621 795	4 147 334	2 853 356	43 440 099	38 547 867
Production costs of the sold production	-5 814 547	-7 187 385	-32 425 681	-24 883 195	-4 952 213	-2 943 502	-43 192 441	-35 014 082
Selling costs	-2 657	-650 366	-15 061	-3 297	-41 147	-53 615	-58 864	-707 278
General administration costs	-8 359	-6 424	-18 006	-18 954	-309 071	-289 415	-335 436	-314 793
Other income/expenditures from company's economic activity	-5 114	-12 538	-126 456	-160 264	64 153	-318 234	-67 417	-491 036
Profit or loss from economic activity	462 476	1 216 002	414 407	1 556 085	-1 090 943	-751 410	-214 060	2 020 677
Other interset income/payments and the like income	-7 378	-7 918	-91 004	-25 717	-165 163	-128 169	-263 544	-161 805
Company's deferred income tax	0	0	0	0	603 211	-297 577	603 211	-297 577
Other taxes	0	0	-8 082	0	-11 763	-17 917	-19 845	-17 917
Income from segments activities	-13 601	-121 008	-221 611	-78 558	235 212	199 566	0	0
Profit or (loss)	441 497	1 087 075	93 710	1 451 810	-429 445	-995 507	105 762	1 543 379
Segment assets	4 302 604	5 735 259	22 561 704	16 828 796	2 835 516	1 803 731	29 699 824	24 367 786
Segment liabilities	3 998 177	5 002 006	22 296 425	17 317 271	3 405 222	2 048 508	29 699 824	24 367 786

The Holding shows information through particular segments.

The above table shows the Holding's profit or loss posts and the distribution of assets and liabilities through segments:

The management of the Holding believe that it is not useful to prepare cash flow statements through different segments.

Segment descriptions:

Logging

Income in this segment mainly arises from selling of round timber, obtained in logging, and timber transportation in the territory of Latvia and from the income from logging services.

Timber processing

Income in this segment mainly arises from selling of sawn timber which was obtained in the production process and from rendering of different services which are related to timber processing.

Other

Collected lease payments for the use of the company's real estate and other income which is not related to the company's economic activity.

4. Net turnover through geographical segments

Since the economic activity of the Holding is mainly performed in Latvia and all significant assets are situated in Latvia, the management believe that it is not useful to prepare a statement through geographical segments as the amount of income from different geographical segments does not exceed 10 % of total income.

	2013 LVL	2012 LVL	2013 EUR	2012 EUR
Income from sales, int. AI.	28 696 427	25 309 169	40 831 337	36 011 703
Latvia	28 690 680	25 309 169	40 823 160	36 011 703
Other countries	5 747	0	8 177	0
Income from rendering of services, int. AI.	1 491 302	1 573 732	2 121 932	2 239 219
Latvia	1 491 302	1 573 732	2 121 932	2 239 219
Financing of the EU structural funds	342 146	208 694	486 830	296 945
	30 529 875	27 091 595	43 440 099	38 547 867

5. Production cost of products sold

	2013 LVL	2012 LVL	2013 EUR	2012 EUR
<u>Production cost of products sold</u>				
Salary of employees	1 414 381	1 274 675	2 012 483	1 813 699
Social insurance costs	338 583	305 638	481 760	434 884
Reserve for vacation pays	44 742	23 249	63 662	33 080
Doubtful debtors reserve	1 752	0	2 493	0
Depreciation of property, plant and equipment	1 340 989	996 729	1 908 055	1 418 218
Costs of purchase of materials	308 992	120 950	439 656	172 096
Stem fee (purchase of cutting rights)	2 864 170	3 522 133	4 075 347	5 011 544
Purchase costs of sawn timber	20 171 577	14 764 374	28 701 568	21 007 812
Electricity and heating costs	740 085	399 438	1 053 046	568 349
Production related contractors expenses	1 332 771	1 674 279	1 896 362	2 382 284
Production equipment maintenance costs	648 696	596 343	923 011	848 520
Fuel costs	584 574	584 807	831 774	832 105
Revaluation of biological assets	-30 273	-233 234	-43 075	-331 862
Production equipment maintenance costs	587 552	574 319	836 011	817 182
Other services received	7 229	4 337	10 286	6 171
	30 355 820	24 608 037	43 192 441	35 014 082

6. Cost of sale

	2013	2012	2013	2012
	LVL	LVL	EUR	EUR
Adevertisement costs, market research, marketing	7 101	411	10 104	585
Transportation costs of goods	23 839	460 859	33 920	655 743
Other production costs	10 430	35 808	14 841	50 950
	41 370	497 078	58 864	707 278

7. General and administration costs

	2013	2012	2013	2012
	LVL	LVL	EUR	EUR
Salaries to employees	54 598	33 059	77 686	47 039
Social insurance costs	13 153	7 964	18 715	11 332
Unused vacation pay reserve	1 840	-672	2 618	-956
Maintenance of administration capital assets	43 216	51 128	61 491	72 749
Expense associated with maintenance of administration	22 526	23 798	32 052	33 862
Office maintenance costs	58 118	64 741	82 694	92 118
Annual report expenses	3 300	3 300	4 695	4 695
Banking expenses	38 995	37 920	55 485	53 955
	235 746	221 238	335 436	314 793

8. Other operating income and expense

	2013	2012	2013	2012
	LVL	LVL	EUR	EUR
<u>Other income</u>				
Income from services	206 261	57 605	293 483	81 965
Net income from sale of long term investment	57 625	17 027	81 993	24 227
Income from lease of fixed assets	71 202	77 336	101 311	110 039
Financing of the EU structural funds and LAD	18 947	15 394	26 959	21 904
	354 035	167 362	503 746	238 135
<u>Other expense</u>				
Dues paid for land plots used in production	14 503	23 726	20 636	33 759
Security costs	209 588	289 587	298 217	412 045
Employee training expenses	454	62	646	88
Other expense for provision of economic activities	176 871	199 089	251 665	283 278
	401 416	512 464	571 164	729 171

9. Financial income/ (expense), net

	2013	2012	2013	2012
	LVL	LVL	EUR	EUR
Income				
Income from currency exchange	1 706	0	2 427	0
Income from exchange rate fluctuations	0	7 671	0	10 915
Income from the interest due	28 194	23 248	40 116	33 079
Income from doubtful debtors accruals reduction	34 553	0	49 164	0
Other income	586	866	834	1 232
	65 039	31 785	92 542	45 226
Expense				
Currency exchange expenses	0	2 043	0	2 907
Exchange rate fluctuations expenses	12 121	0	17 247	0
Donations	510	0	726	0
Fines paid	17 850	14 851	25 398	21 131
Other expense	31 132	18 604	44 297	26 471
Loan interest calculated	187 393	108 990	266 636	155 079
Financial lease interest recognised	1 253	1 014	1 783	1 443
	250 259	145 502	356 086	207 031

10. Deferred corporate income tax:

	2013	2012	2013	2012
	LVL	LVL	EUR	EUR
Liabilities of the deferred company income tax				
The residual value of capital assets in accounting (excluding the value of land, advance payments and unfinished construction)	11 173 356	9 273 539	11 337 333	13 195 057
Residual value of capital assets needed for taxes	7 967 923	6 163 544	15 898 253	8 769 933
Tax losses not covered	697 227	265 959	992 065	378 426
Accruals for holidays	23 419	16 432	33 322	23 381
Temporary difference	-3 205 433	-3 109 995	-4 560 920	-4 425 124
Liabilities of deferred tax	-480 815	-466 499	-684 138	-663 769
Assets of deferred tax	239 831	-184 108	341 249	-261 962

A rate of 15% is applied to calculations of deferred tax.

11. Other taxes

	2013	2012	2013	2012
	LVL	LVL	EUR	EUR
Real estate tax	13 947	12 592	19 845	17 917
	13 947	12 592	19 845	17 917

12. Intangible investment

Software

LVL

As at 31.12.2012.		54 893
	Cost	2 867
2013	Liquidity	-444
	Impairment	0
As at 31.12.2013		57 316
Amortisation accrued 31.12.2012.		51 262
	Amortisation	3 578
2013	Wear and tear of liquid assets	-444
	Impairment	0
Amortisation accrued 31.12.2013		54 396
As at 31.12.2012		3 631
As at 31.12.2013		2 920
Amortisation rate (by linear method)		5 year

EUR

As at 31.12.2012.		78 106
	Cost	4 079
2013	Liquidity	-632
	Impairment	0
As at 31.12.2013		81 553
Amortisation accrued 31.12.2012.		72 939
	Amortisation	5 091
2013	Wear and tear of liquid assets	-632
	Impairment	0
Amortisation accrued 31.12.2013		77 399
As at 31.12.2012		5 166
As at 31.12.2013		4 155
Amortisation rate (by linear method)		5 year

13. Capital assets

	Land, buildings and systems LVL	Equipment and machinery LVL	Other fixed assets LVL	Unfinished fixed assets LVL	Advance payments for fixed assets LVL	Total LVL
Accounting value 31.12.2012	4 333 164	10 234 931	140 326	912 400	46 025	15 666 846
2013 Purchase	1 102 219	1 252 826	14 080	0	0	2 369 125
Liquidity	-27 533	-284	-3 862	0	0	-31 679
Reconstruction	0	928 768	0	-882 743	-46 025	0
Accounting value 31.12.2013	5 407 850	12 416 241	150 544	29 657	0	18 004 292
Accured wear and tear 31.12.2012	954 281	3 213 160	78 242	0	0	4 245 682
2013 Wear and tear	208 419	1 152 520	19 691	0	0	1 380 630
Wear and tear of liquid assets	0	-284	-3 862	0	0	-4 146
Accured wear and tear 31.12.2013	1 162 700	4 365 396	94 071	0	0	5 622 166
Residual value 31.12.2012	3 378 883	7 021 772	62 084	912 400	46 025	11 421 164
Residual value 31.12.2013	4 245 150	8 050 846	56 473	29 657	0	12 382 126

	5-20 year EUR	4-10 year EUR	3-10 year EUR	EUR	EUR	EUR
Rate of wear and tear (linear method)						
Accounting value 31.12.2012	6 165 536	14 562 995	199 666	1 298 229	65 488	22 291 913
2013 Purchase	1 568 316	1 782 611	20 034	0	0	3 370 961
Liquidity	-39 176	-404	-5 495	0	0	-45 075
Reconstruction	0	1 321 518	0	-1 256 031	-65 488	0
Accounting value 31.12.2013	7 694 676	17 666 720	214 205	42 198	0	25 617 799
Accured wear and tear 31.12.2012	1 357 819	4 571 914	111 328	0	0	6 041 061
2013 Wear and tear	296 554	1 639 888	28 018	0	0	1 964 460
Wear and tear of liquid assets	0	-404	-5 495	0	0	-5 899
Accured wear and tear 31.12.2013	1 654 372	6 211 398	133 851	0	0	7 999 621
Residual value 31.12.2012	4 807 717	9 991 081	88 338	1 298 229	65 488	16 250 853
Residual value 31.12.2013	6 040 304	11 455 322	80 354	42 198	0	17 618 178

Rate of wear and tear (linear method) 5-20 year 4-10 year 3-10 year

Cadastral value has been set for buildings owned by the company in amount to 403 252 Ls (573 776 EUR).

Cadastral value of lands at the balance date amounts to 390 041 Ls (554 978 EUR).

14. Investment in related companies

	Shares owned %	Investment value LVL	Depreciation of value LVL	Accounting value of investment as at 31.12.2013 LVL
SIA Pakuļu sporta bāze	100	146 000	-109 165	36 835
ООО Салдус	100	5 190	0	5 190
ООО Деревообрабатывающий комбинат № 3	100	373 118	294 091	667 209

total long term investment		524 308	184 926	709 234
		EUR	EUR	EUR
SIA Pakuļu sporta bāze	100	207 739	-155 328	52 411
ООО Салдус	100	7 385	0	7 385
ООО Деревообрабатывающий комбинат № 3	100	530 899	418 454	949 353
total long term investment		746 023	263 126	1 009 149

Certified evaluator has made an assessment to subsidiar companies real estate on 28.04.2014 in total value LVL 1 215 077 (EUR 1 728 899).

15. Investment in associated companies

	Shares owned %	Investment value	Depreciation of value	Accounting value of investment as at 31.12.2013
	LVL	LVL	LVL	LVL
SIA Saldus enerģija	20	6 002	0	6 002
total investment in associated companies		6 002	0	6 002
	EUR	EUR	EUR	EUR
SIA Saldus enerģija	20	8 540	0	8 540
total investment in associated companies		8 540	0	8 540

16. Loans in related companies

	2013	2012	2013	2012
	LVL	LVL	EUR	EUR
SIA Pakuļu sporta bāze	215 782	144 160	307 030	205 121
ООО «Салдус»	17 394	19 401	24 749	27 605
ООО «Деревообрабатывающий комбинат № 3»	478 337	468 459	680 612	666 557
total loans to related companies:		711 513	632 020	1 012 392
			LVL	EUR
Accounting value as at 31.12.2012			632 019	899 283
Amounts lended in 2013 (+)			90 177	128 311
Exchange rate fluctuations change			-10 683	-15 202
Outstanding loan amount as at 31.12.2012			711 513	1 012 392

Shareholder's equity of subsidiary enterprise at 31.12.2012- 153 434 LVL (218 317 EUR).

Subsidiary enterprise loss of the account year – 237 458 LVL (337 872 EUR).

17. Inventories

	2013	2012	2013	2012
	LVL	LVL	EUR	EUR
Materials, spare parts, inventory	49 602	39 071	70 577	55 593
Raw materials (round timber in forest and in sawmill)	1 382 185	1 099 995	1 966 672	1 565 152
Total raw materials:	1 431 787	1 139 066	2 037 249	1 620 745
Biological assets	346 605	251 989	493 174	358 548
Unfinished goods (in forest)	74 980	74 073	106 687	105 396
Timber in production	368 517	370 946	524 352	527 809
Total unfinished goods:	443 497	445 019	631 039	633 205
Ready sawn materials products	726 174	390 969	1 033 253	556 299
Total ready products and goods for sale	726 174	390 969	1 033 253	556 299
Advance payments for goods	17 153	17 153	24 407	24 407

No non-marketable stock was recorded as per inventory performed at 31.12.2013.

*Reclassification of inventories: Raw material (round timber in forest and in sawmill) is reclassified from unfinished goods to raw materials.

18. Trade receivables

	2013	2012	2013	2012
	LVL	LVL	EUR	EUR
Accounting value of trade receivables	2 769 153	933 164	3 940 150	1 327 773
Debts of associated companies	316 008	266 003	449 639	378 488
Spread by currencies:				
	LVL	26 795		
	EUR	242 384		
	RUB	7 619 545		

Balance of outstanding debts are reflected in the balance sheet for their net value. In 2013 bad debt provisions have been written off for amount of 85 996 LVL (122 361 EUR), which have been declared as insolvent or wound up. Bad debt provisions have been created on grounds of assessment of financial status and operational activities of clients considering repayment of debts according to agreements signed and potential for recovery of debt. Reserves are made for debtors which for duration of 2 years do not reply to verification notes and cannot be found at given addresses, which have not made any payments within a year, as well as debtors regarding which insolvency procedure has been started.

19. Other debtors

	2013	2012	2013	2012
	LVL	LVL	EUR	EUR
Surplus VAT payment	21 616	49 496	30 757	70 426
VAT paid in advance on boarder	441	441	627	627
Advance payment to the UIN*	0	25 116	0	35 737
Guarantee payments made	2 978	2 961	4 237	4 213

Loans to employees	0	1 752	0	2 493
Other debtors	32	23 248	46	33 079
In total other debtors	25 067	103 014	35 667	146 576

20. Expenditures of the next periods

	2013 LVL	2012 LVL	2012 EUR	2012 EUR
Insurance	9 568	8 586	13 614	12 217
Licence fees	481	445	684	633
Other	7 605	12 382	10 821	17 618
In total expenditure of the next periods	17 654	21 413	25 119	30 468

21. Money and its equivalents

	2013 LVL	2012 LVL	2013 EUR	2012 EUR
Money in accounts	19 857	10 433	28 254	14 845
Money total	19 857	10 433	28 254	14 845

Currency division	2013		2012	
	Valūta	LVL	Valūta	LVL
LVL	6079	6079	8295	8295
EUR	16292	11450	1699	1194
USD	4520	2328	1776	943
		19 857		10 433

22. Share capital, reserves and profit per share

Changes in share capital and distribution of shares among shareholders are shown in the following way:

	%	2013 LVL	2012 EUR
Shares of closed issue			
SIA Merkants	26,00	100 655	143 219
Saldus mežrūpniecības uzņēmums Ltd.	26,99	104 489	148 674
Physical persons of the Republic of Latvia	2,99	11 577	16 473
SIA JL Lindex	15,99	61 915	88 097
Shares of public offering *	28,03	108 500	154 382
Total:	100	387 136	550 845
		31.12.2012	387136
		31.12.2013	387 136

*Shares of public offering consist of 108 500 shares the holder and controller of which is the joint-stock company Latvian Central Depository, consequently these shares are available in the market.

All shares are signed, issued and fully paid.

Profit per share is calculated in the following way: profit of the year of account is divided with the weighted-average number of shares in circulation in the period of account which is 387 136.

A nominal value of each share is 1 Latvian lat.

In compliance with the statutes, the profit which remains after dividends are paid and included in undividable reserves is included in other reserves and used for the further development of the company.

	2013	2012	2013	2012
	LVL	LVL	EUR	EUR
Profit of the period of account	74 330	1 084 693	105 762	1 543 379
Number of shares 31.12.2013	387 136	387 136	550 845	550 845
Basic profit per share per year	0,19	2,80	0,27	3,99

23. Loans from credit institutions

	% rate in force	The repayment term	2013	2012	2013	2012
			LVL	LVL	EUR	EUR
Long-term:						
Nordea Bank Finland Plc creditline	The Base rate EONIA +	20.05.2015	5 332 157	0	7 586 976	0
Nordea Bank Finland Plc creditline	The Base rate EONIA +	30.11.2016	1 395 621	1 755 041	1 985 790	2 497 199
Nordea Bank Finland Plc creditline	The Base rate EONIA +	30.11.2016	700 778	881 761	997 117	1 254 633
Nordea Bank Finland Plc	Fixed + %	31.07.2017	293 096	90 323	417 038	128 519
Nordea Bank Finland Plc	Fixed + %	31.07.2017	1 501 058	219 339	2 135 813	312 091
Nordea Bank Finland Plc	3 mon.Euribor + %	28.02.2018	282 234	367 976	401 583	523 583
Nordea Bank Finland Plc	3 mon.Euribor + %	05.03.2018	146 966	191 594	209 114	272 613
			9 651 910	3 506 035	13 733 431	4 988 638
Short-term:						
Nordea Bank Finland Plc creditline	The Base rate EONIA +	up to 12 mon.	351 397	351 396	499 993	499 992
Nordea Bank Finland Plc creditline	The Base rate EONIA +	up to 12 mon.	175 701	421 681	250 000	599 998
Nordea Bank Finland Plc	Fixed + %	up to 12 mon.	49 537	1 088	70 485	1 548
Nordea Bank Finland Plc	Fixed + %	up to 12 mon.	391 239	7 563	556 683	10 762
Nordea Bank Finland Plc	3 mon.Euribor + %	up to 12 mon.	85 742	85 742	122 000	122 000
Nordea Bank Finland Plc	3 mon.Euribor + %	up to 12 mon.	44 628	44 628	63 500	63 500
			1 098 244	912 099	1 562 660	1 297 800
Total			10 750 154	4 418 134	15 296 091	6 286 438

As the collateral for the claims raised due to the loan agreement signed the Company has mortgaged real estate.

24. Liabilities of financial lease and other loans

	% rate in force	2013	2012	2013	2012
		LVL	LVL	EUR	EUR
Short-term:					
Swedbank Līzings SIA	3 mon. Euribor+%	0	6 223	0	8 855
Nordea Līzings SIA	Fixed rate	0	1 192	0	1 696
		0	7 415	0	10 551

25. Debts to suppliers and contractors

	2013	2012	2013	2012
	LVL	LVL	EUR	EUR
Debts to suppliers and contractors	1 664 340	1 999 376	2 368 142	2 844 856
	1 664 340	1 999 376	2 368 142	2 844 856

26. Taxes payable

	31.12.2012	Paid in 2013	Calculated in 2013	Fine	Taxes recognized as other taxes	31.12.2013
	LVL	LVL	LVL	LVL	LVL	LVL
Company Income Tax(Adjustment)	25116	0	0	0	-25116	0
VAT	49494	-112960	-188828	2255	-101491	21616
VAT on the boarder	441	0	0	0	0	441
Peoples Income Tax	-69696	252700	274328	3688	45070	-49942
Compulsory Payments of Social Insurance Tax	-72256	470100	512349	1289	81579	-34215
Natural Resources Tax	-455	500	100	3	-42	-100
Property Tax	-61	14013	13865	87	0	0
Risk due	-78	650	540	1	0	31
Total	-67495	625003	612354	7323	0	-62169
Debt on taxes	-142546					-84257
Overpayd taxes	75052					22088

	31.12.2012	Paid in 2013	Calculated in 2013	Fine	Taxes recognized as other taxes	31.12.2013
	EUR	EUR	EUR	EUR	EUR	EUR
Company Income Tax(Adjustment)	35737	0	0	0	-35737	0
VAT	70424	-160728	-268678	3209	-144408	30757
VAT on the boarder	627	0	0	0	0	627
Peoples Income Tax	-99168	359560	390334	5248	64129	-71061
Compulsory Payments of Social Insurance Tax	-102811	668892	729007	1834	116076	-48684
Natural Resources Tax	-647	711	142	4	-60	-142
Property Tax	-86	19939	19728	124	0	0
Risk due	-111	925	768	1	0	44
Total	-96035	889299	871301	10420	0	-88459
Debt on taxes	-202823					-119887
Overpayd taxes	106789					31428

According to tax requirements of the Republic of Latvia the corporate income tax is paid in advance. Therefore after the end of reporting year when the actual tax is calculated the payable tax or overpayment of tax is established.

27. Other liabilities

	2013	2012	2013	2012
	LVL	LVL	EUR	EUR
<u>Short-term</u>				
Salary payments	69 520	73 012	98 918	103 887
Contributions to private pension funds	2 138	2 138	3 042	3 042
Payments for deductions from wages	903	880	1 285	1 252
Advance payments to employees	0	369	0	525
	72 561	76 399	103 245	108 706
<u>Long-term:</u>				
Other creditors	925 359	4 025 359	1 316 667	5 727 570
	925 359	4 025 359	1 316 667	5 727 570

Loans from other creditors have been secured by mortgage on real estate, in total cadastral value 147 000 LVL.

28. Accrued for holidays

	2013	2012	2013	2012
	LVL	LVL	EUR	EUR
Accrued for holidays	156 127	109 544	222 149	155 867
	156 127	109 544	222 149	155 867

29. Accrued liabilities

	2013	2012	2013	2012
	LVL	LVL	EUR	EUR
Accrued liabilities			64 415	91 430
			64 415	91 430
			91 654	130 093

30. Incomes from the next periods.

	2013	2012	2013	2012
	LVL	LVL	EUR	EUR
Long-term:				
Project No. 124000041	928	12 184	1 320	17 336
Project No..04/415034/0002/023	0	4 978	0	7 084
Project No.L-APV-10-0015	1 427 114	378 563	2 030 600	538 646
	1 428 042	395 725	2 031 921	563 066
Short-term				
Project No. 124000041	11 253	11 253	16 012	16 012
Project No..04/415034/0002/023	4 978	4 988	7 083	7 097
Project No.L-APV-10-0015	325 902	325 902	463 717	463 716
Other income	44	44	63	63
	342 177	342 187	486 874	486 888

31. Personnel costs

	2013 LVL	2012 LVL	2013 EUR	2012 EUR
Average number of employees	177	175		
Total personnel costs				
Wages	1 468 979	1 307 735	2 090 169	1 860 739
Social tax	351 735	313 214	500 474	445 664
Unemployment risk due	540	524	768	746
	1 821 254	1 621 473	2 591 411	2 307 149
including:				
wages of production workers				
wages	1 387 499	1 251 973	1 974 233	1 781 397
social tax	332 107	299 781	472 546	426 551
unemployment risk due	522	509	743	724
	1 720 128	1 552 263	2 447 522	2 208 671
administration wages				
wages	38 979	17 454	55 462	24 835
social tax	9 390	4 205	13 361	5 983
Unemployment risk due	12	9	17	13
	48 381	21 668	68 840	30 830
incl. remuneration to company management - board				
wages	42 501	38 308	60 473	54 508
Social tax	10 238	9 228	14 567	13 131
Unemployment risk due	6	6	9	9
	52 745	47 543	75 049	67 647

32. Transactions with associated persons

Subsidiary	Type of transaction		Income from subsidiaries		Payments to subsidiaries		Debts of subsidiaries		Credits to subsidiaries	
			LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
OOO Saldus	debt and sales of ready production	2012	331	471	0	0	125 381	178 401	0	0
		2013	522	742	0	0	123 653	175 942	0	0
OOO DOK Nr.3	debt and sales of ready production	2012	15 800	22 481	71 616	101 900	628 065	893 656	0	0
		2013	19 656	27 968	26 355	37 500	656 404	933 979	0	0
SIA Pakuļu sporta bāze	debt and sales of ready production	2012	7 118	10 128	14 580	20 745	167 826	238 795	0	0
		2013	8 017	11 407	71 622	101 909	247 464	352 110	0	0
SIA SEZ Laskana	debt, dividends and sales of ready production	2012	29 789	42 386	0	0	0	0	0	0
		2013	0	0	0	0	0	0	0	0
SIA Saldus MRU	debt, dividends and sales of ready production	2012	48 618	69 177	165 654	235 704	9 253	13 166	73 187	104 136
		2013	0	0	59 909	85 243	9 253	13 166	13 278	18 893
SIA Pata AB	debt and sales of ready production	2012	25 738 438	36 622 498	6 978 636	0	754 932	1 074 172	433 610	616 972
		2013	29 389 094	41 816 913	10 331 133	0	2 349 652	3 343 254	127 792	181 832
		2012	25 840 094	36 767 141	7 230 486	358 350	1 685 457	2 398 190	506 797	721 107
		2013	29 417 288	41 857 031	10 489 019	224 652	3 386 427	4 818 451	141 070	200 725

Loans from management LVL 462 680 (EUR 658 334).

33. Expenditures due to the environment protection

The basic economic activity of the Holding is production of timber. As a wrapping material is used polyethylene plastic. In order to secure qualitative and environmentally friendly economic activity and to reduce ecological and financial risks related to financial losses and significant loss of funds arising from penalty fee payments, there has been concluded agreement with Green Belt ltd. on collection, transportation, recycling and regeneration of used wrapping material so that it corresponds with the requirements of normative acts, planning and organization of the said work. During maintenance work various oil filters and oils are replaced. They are collected in special places and then handed over to BAO ltd. on which there has been concluded a special agreement on collection of hazardous waste. In this way the Holding meets all environment protection requirements determined by appropriate acts and regulations so that there could be reduced impact of hazardous substances on the environment and significantly decreased possible losses, int.a.l. unplanned taxes and decreased ecological risks in all objects.

34. Financial instruments

The main financial instruments of the Holding are granted and received short-term loans, money, short-term deposits and financial lease. The main objective of these financial instruments is to secure the financing of Holding's economic activity. Also, the holding comes in touch with some other financial instruments, for example, debts of buyers and customers and debts of other debtors, debts to suppliers and constructors and other debtors which directly arise from its economic activity.

Financial risks

The main financial risks related to the Holding's financial instruments are: credit risk, currency risk, interest risk and liquidity risk.

Credit risk

The parent company of the Holding and the Holding itself is subjected to credit risks which arise from the debts of buyers and customers, short and long-term loans.

The Holding controls its credit risks by constantly estimating the history of how debtors pay back their debts and by establishing crediting conditions for each customer separately. Besides, the company constantly monitors the reminders of debtors' debts in order to decrease the possible of arising of unrecoverable debts.

Foreign currency risk

To the financial assets which are under foreign currency risk belong money and its equivalents, debts of buyers and customers, advance payments for construction work, short-term loans, debts to suppliers and contractors, long-term debts to financial institutions and leasing companies.

The holding does not use any financial instruments to administrate currency fluctuations risks.

Interest risk

The companies which belong to the Holding are subjected to the interest risk; mainly they are loans from crediting institutions and leasing companies.

The management of the Holding think that the financial assets and liabilities of the Holding on December 31, 2013 were not subjected to any important interest rate risks as the deviance from the real value of particular financial assets and liabilities was not significant.

Liquidity risk

The Holding is controlling its liquidity risk by securing relevant financing, by using credit lines.

Real value

All financial assets and liabilities of the Holding which are not shown in their real value- money, debtors, other debtors, received and granted loans, debts to suppliers and contractors and the balance value of other debts correspond with their real value.

35. Events after the year of account

Except from what was said in the management statement in the period from the last day of the year of account until the date of signing this financial statement there have not occurred any events due to which there should have been done any amendments or corrections in this financial statement.

Auditor's statement