

JOINT-STOCK COMPANY „SALDUS MEŽRŪPNIECĪBA”

(SINGLE REGISTRATION NUMBER 40003020121)

ANNUAL REPORT FOR THE PERIOD OF 3 MONTHS OF 2014 (UNAUDITED)

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

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 – March 31, 2014
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 – March 31, 2014
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 – March 31, 2014
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 3 month of 2014

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 2014 first 3 months are 270 158 EUR at the net turnover of 12 366 081 EUR, which means profit on one share issued of 0.70 EUR.

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.

May 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 March 2014, 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

	2014.03.31	2013.03.31
	EUR	EUR
Net turnover	12 366 081	43 440 099
Production costs of the sold production	-11 876 135	-43 192 441
Gross profit	489 946	247 658
Selling costs	-9 093	-58 864
General administration costs	-60 283	-335 436
Other income from company's economic activity	30 233	503 746
Other expenditures from company's economic activity	-81 056	-571 164
Profit or loss from economic activity	369 747	-214 060
Other interest income and the like income	18	92 542
Other interest payments and the like payments	-93 909	-356 086
Profit or loss before extraordinary items and taxes	275 856	-477 604
Company's deferred income tax		603 211
Other taxes	-5 698	-19 845
Profit or (loss)	270 158	105 762
Profit/loss on share	0.70	0.27

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	2014.03.31	2013.12.31
	EUR	EUR
LONG-TERM INVESTMENTS		
Intangible investments		
Concessions, patents, licences, trademarks and the like items	6 058	4 155
TOTAL	6 058	4 155
Fixed assets		
Land, premises and buildings	5 951 488	6 040 304
Equipment and machinery	10 975 868	11 455 322
Other fixed assets	74 957	80 354
Unfinished constructions	66 552	42 198
TOTAL	17 068 864	17 618 178
Biological assets	931 921	931 921
Long-term financial investments		
Participation in the capital of related companies	1 009 149	1 009 149
Investment in associated companies	8 540	8 540
Loans to the related companies	1 057 310	1 012 392
Deferred tax assets	341 249	341 249
TOTAL	2 416 248	2 371 330
TOTAL LONG-TERM INVESTMENTS	20 423 091	20 925 584
CURRENT ASSETS		
Stocks		
Raw materials, direct materials, auxiliary materials	3 655 351	2 037 249
Biological assets	243 097	493 174
Unfinished production	1 678 991	631 039
Finished production and goods for sale	567 025	1 033 253
Advance payments for goods	0	24 407
TOTAL	6 144 464	4 219 122
Noncurrent assets held for sale		
Fixed assets held for sale	76 289	76 289
Debtors		
Debts of buyers and customers	3 283 763	3 940 150
Debts of subsidiaries	449 639	449 639
Other debtors	33 656	35 667
Expenditures of the next periods	52 517	25 119
TOTAL	3 819 575	4 450 575
Money and its equivalents	19 863	28 254
TOTAL CURRENT ASSETS	10 060 190	8 774 240
TOTAL ASSETS	30 483 281	29 699 825

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 (continuation)

LIABILITIES

	2014.03.31	2013.12.31
	EUR	EUR
Share capital	550 845	550 845
Increase of price of the issue of shares	2 827	2 827
Reserves from revaluation of long-term investments	1 110 312	1 110 312
Other reserves	3 732 314	3 732 314
Retained earnings from the previous year	2 266 895	2 161 133
Retained earnings from the year of account	270 158	105 762
Total shareholders'equity	7 933 351	7 663 193
Accruals for holiday	225 508	222 149
TOTAL	225 508	222 149
Long-term loans from credit institutions	13 726 158	13 733 431
Other creditors	1 316 667	1 316 667
Long-term part of incomes from next periods	1 914 672	2 031 921
TOTAL	17 082 019	17 082 019
Short-term loans from credit institutions	1 583 645	1 562 660
Short-term part of financial lease	0	0
Debts to suppliers and contractors	2 929 027	2 368 142
Advance payments received from buyers	97 789	91 654
Taxes payable	130 108	119 887
Other creditors	143 940	103 245
Incomes from the next periods short-term part	482 415	486 874
TOTAL	5 366 925	4 732 462
Total liabilities	22 324 422	21 814 481
Total shareholders'equity and liabilities	30 483 281	29 699 824

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

	2014	2013
	EUR	EUR
I. Cash flow from basic activity		
Profit (+) or loss (-) before extraordinary items and taxes:	275 856	-477 604
wear and tear of fixed assets and intangible investments (+)	579 405	1 969 545
elimination of fixed assets and intangible investments	0	6
revaluation of long-term investments	68 610	-35 743
revaluation of biological assets	0	45 297
Accruals (except accruals for doubtful debts)	3 359	66 282
profit (-) or loss (+) from fluctuations of exchange rate	0	17 247
Interest income	0	-40 116
Income from finansation recognition	-121 708	1 468 841
Interest expenditure	93 909	267 655
Profit or loss before the corrections of the impact of balance changes of current assets and short-term liabilities	899 431	3 281 408
increase (+) or decrease (-) of debtors debt	631 001	-2 529 197
increase (+) or decrease (-) of the reserves of accruals	-2 175 419	-1 013 701
increase (+) or decrease (-) of the remainder of debts payable to suppliers, contractors and other creditors	612 238	-5 043 857
Gross cash flow from basic activity	-32 749	-5 305 347
Expenditures to pay interest payments	-93 909	-266 638
Net cash flow from basic activity	-126 658	-5 571 985
II. Cash flow from investments		
Income from selling fixed assets and intangible investments	181 467	89 641
Acquisition of fixed assets and intangible investments	-31 994	-3 375 039
Loans issued	-44 918	-128 310
Net cash flow from investments	104 555	-3 413 709
III. Cash flow from financing activities		
Recieved loans	218 628	10 314 076
Expenditures for paying back loans	-204 916	-1 304 423
Expenditures for redemption of asset that was hired	0	-10 551
Cash flow from financing activities	13 712	8 999 102
IV. Fluctuations of exchange rate	0	0
V. Net cash flow of the year of account increase (+), decrease (-)	-8 391	13 409
VI. Money and its equivalents balance at the beginning of the year of account	28 254	14 845
VII. Money and its equivalents balance at the end of the year of account	19 863	28 254

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	Toatal own capital
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
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
Distribution of profit of the year 2013	0	0	0	0	105 762	-105 762	0
Profit of the year of account	0	0	0	0	0	270 158	270 158
March 31. 2014 year	550 845	2 827	1 110 312	3 732 314	2 161 133	270 158	7 933 351

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 euro (EUR), the monetary unit of the Republic of Latvia. The financial statements cover the period 1 January 2014 through 31 March 2014.

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 Euro (EUR). 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 Euro applying the official exchange rate established by the European System of Central Banks 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 European System of Central Banks:

	31.03.2014	31.12.2013
	EUR	EUR
1 RUB	0.0205	0.0221
1 USD	0.7252	0.7327

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.

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.

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.

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 EUR 550 845. And consist of 108 500 bearer shares and 278 636 registered shares. All shares are denominated and are dematerialised.

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 procesing		Other		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Net turnover	2 072 660	6 293 153	9 819 090	32 999 612	474 331	4 147 334	12 366 081	43 440 099
Production costs of the sold production	-2 068 130	-5 814 547	-9 283 906	-32 425 681	-524 099	-4 952 213	-11 876 135	-43 192 441
Selling costs	-3 221	-2 657	-5 867	-15 061	-5	941 147	-9 093	-58 864
General administration costs	-20 466	-8 359	-39 351	-18 006	-466	-309 071	-60 283	-335 436
Other income/expenditures from company's economic activity	20 114	-5 114	-16 393	-126 456	-54 544	64 153	-50 823	-67 417
Profit or loss from economic activity	957	462 476	473 573	414 407	-104 783	-1 090 943	369 747	-214 060
Other interest income/payments and the like income	-23 841	-7 378	-65 878	-91 004	-4 172	-165 163	-93 891	-263 544
Company's deferred income tax	0	0		0	0	603 211	0	603 211
Other taxes		0		-8 082	-5 698	-11 763	-5 698	-19 845
Income from segments activities	44 153	-13 601	-103 880	-221 611	59 727	235 212	0	0
Profit or (loss)	21 269	441 497	303 815	93 710	93 710	-429 445	270 158	105 762
Segment assets	5 109 256	4 302 604	24 204 764	22 561 704	1 169 261	2 835 516	30 483 281	29 699 824
Segment liabilities	5 227 875	3 998 177	23 680 068	22 296 425	1 575 338	3 405 223	30 483 281	29 699 824

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.

	2014	2013
	EUR	EUR
Income from sales, int. AI.	11 678 558	40 831 337
Latvia	11 678 558	40 823 160
Other countries	0	8 177
Income from rendering of services, int. AI.	565 816	2 121 932
Latvia	565 816	2 121 932
Financing of the EU structural funds	121 707	486 830
	12 366 081	43 440 099