

JOINT-STOCK COMPANY „PATA SALDUS”

(SINGLE REGISTRATION NUMBER 40003020121)

ANNUAL REPORT FOR THE YEAR 2015 (UNAUDITED)

PREPARED IN ACCORDANCE WITH

THE LAW OF THE REPUBLIC OF LATVIA ON ANNUAL REPORTS

Saldus, 2016

CONTENT

Information about the Company	3
Management announcement	5
Statement of Management Responsibility	6
Profit or loss calculation	7
Balance sheet	8
Balance sheet (continuation)	9
Cash flow statement	10
Statement on the changes in own capital	11
Annex to the financial statement	12

Address: Kuldigas 86c, Saldus, LV-3801,
Saldus District., Republic of Latvia
Single registration number: 40003020121

Information about the Company

Name of the Company	PATA Saldus (PATA Saldus)
Legal status of the Company	Joint Stock Company
Registration number, place, and date	40003020124 August 26, 1991, Riga
Address	Kuldigas iela 86C, Saldus, Saldus novads, 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 (is released on November 10, 2015) Andris Krastiņš (<i>Andris Krastiņš</i>)- Chancellor of the Board (was appointed on November 11, 2015) Janis Mierkalns (<i>Jānis Mierkalns</i>) – member of the Board Gatis Zommers (<i>Gatis Zommers</i>) – member of the Board (is released on November 10, 2015) Evija Birina (<i>Evija Bīriņa</i>) - member of the Board (was appointed on November 11, 2015) Ilze Bukulde (<i>Ilze Bukulde</i>) - member of the Board (was appointed on February 15, 2016)
Members of the Council: name, surname, position	Uldis Mierkalns (<i>Uldis Mierkalns</i>) – Chairman of the Council Janis Bertrāns (<i>Jānis Bertrāns</i>) - Deputy Chairman of the Board (was appointed on February 15, 2016) Lolita Burkovska (<i>Lolita Burkovska</i>) – Deputy Chairman of the Board (is released on October 27, 2015) Maris Elleris (<i>Māris Elleris</i>) – member of the Council (is released February 15, 2016) Janis Leimanis (<i>Jānis Leimanis</i>) – member of the Council (is released February 15, 2016) Martins Knipšis (<i>Mārtiņš Knipšis</i>) – member of the Council (is released on July 20, 2015) Inga Mierkalna (<i>Inga Mierkalna</i>)- member of the Council (was appointed on July 20, 2015) Atis Kalnins (<i>Atis Kalniņš</i>)- member of the Council (was appointed on February 15, 2016) Ieva Sniedze (<i>Ieva Sniedze</i>)- member of the Council (was appointed on February 15, 2016)
Subsidiary enterprise	
1. Name of the company	<i>Pakuli 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	PATA Saldus (PATA Saldus), JSC – 100%
Reporting year	January 1 – December 31, 2015
2. Name of the company	Woodworking Centre No.3 (<i>Деревообрабатывающий комбинат № 3</i>) (100%)
Legal status of the company	Limited Liability Company (<i>ООО - Общество с ограниченной ответственностью</i>)
Registration number, date, place	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	PATA Saldus (PATA Saldus), JSC – 100%
Reporting year	January 1 – December 31, 2015
3. Name of the company	Saldus (<i>Салдус</i>) (100%)
Legal status of the company	Limited Liability Company (<i>ООО - Общество с ограниченной ответственностью</i>)
Registration number, date, place	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	PATA Saldus (PATA Saldus), JSC – 100%
Reporting year	January 1 – December 31, 2015

Joint-stock company „PATA Saldus”

Annual report 2015
(unaudited)

Address: Kuldigas 86c, Saldus, LV-3801,
Saldus District., Republic of Latvia
Single registration number: 40003020121

Associated enterprise

1. Name of the company	Saldus enerģija (<i>Saldus enerģija</i>) (20%)
Legal status of the company	Limited Liability Company
NUMBER AND DATE OF REGISTRATION IN THE COMMERCIAL REGISTER	40103265702 December 22, 2009
Address	Mukusalas iela(<i>Mūkusalas iela</i>) 41B-8, Rīga (<i>Rīga</i>), LV-1004
The main areas of activities of the company	Production of electricity, activities of holding companies.
Owner of the company	PATA Saldus (PATA Saldus), JSC – 20%
Reporting year	January 1-December 31, 2015

Parent company

Name of the company	PATA (<i>PATA</i>) (87%)
Legal status of the company	Limited Liability Company
NUMBER AND DATE OF REGISTRATION IN THE COMMERCIAL REGISTER	40003448619, June 10, 1999
Address	Miera iela 2(<i>Miera iela 2</i>), Incukalns (<i>Inčukalns</i>), LV-1004
The main areas of activities of the company	Wholesale of wood, silviculture and other forestry activities.
Owner of the company	Uldis Mierkalns (<i>Uldis Mierkalns</i>) – 100%
Reporting year	January 1 – December 31, 2015

Name and address of the Auditor	LTD „Sworn auditor S. Koļesņikovas office”, LZRA licence No 127 Svetlana Koļesņikova Sworn Auditor (Certificate of Latvian Sworn Auditor No.22)
---------------------------------	--

Address: Kuldigas 86c, Saldus, LV-3801,
Saldus District., Republic of Latvia
Single registration number: 40003020121

Management announcement

To Report of economic activity for the 2015

Changes in a commercial company that is made during the reporting period

On 14 October, 2015, Joint Stock Company "PATA Saldus" received decision No. 6-12 /42647/1(02.10.2015) of the Register of Enterprises of the Republic of Latvia. From 02 October 2015, the company Joint Stock Company "Saldus mežrupniecība" has changed its name to Joint Stock Company "PATA Saldus", according to the decisions of Annual General Meeting of shareholders on July, 20, 2015.

On 27 October 2015, Lolita Burkovska is released from the position of member of the council.

JSC "PATA Saldus" announces that on 11 November 2015, Jānis Bertrāns and Gatis Zommers is released from the position of member of the Board.

On July 20, 2015 the Council took a decision to appointed Andris Krastiņš as a member of the Management board. On November 11, 2015, Andris Krastiņš was appointed as Chairman of the Management Board. On November 11, 2015, the Board added a new member of the Management Board Evija Bīriņa.

From 19 February 2015, LTD PATA has acquired control of JSC PATA Saldus shares, as a result, LTD PATA is the parent company of JSC PATA Saldus. Given that JSC PATA Saldus equity instruments are traded in a public market, the Company also continues to prepare consolidated financial statements, although JSC PATA Saldus is other companies (LTD PATA) subsidiary company

Changes in a commercial company that is made after the reporting period

In accordance with the decision No. 6-12 /5132/2(15.02.2016) of the Register of Enterprises of the Republic of Latvia are tracked the following changes;

- Appointed member of the board – Ilze Bukulde (*Ilze Bukulde*)
- Appointed members of the Council – Atis Kalniņš (*Atis Kalniņš*), Ieva Sniedze (*Ieva Sniedze*)
- Released members of the Council – Maris Elleris (*Māris Elleris*), Janis Leimanis (*Jānis Leimanis*)

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.

Loss of A/s „PATA Saldus” for the 2015 are 1 514 017 EUR at the net turnover of 36 776 187 EUR, which means loss on one share issued of 3.91 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 statments and operational plans of 2016

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.

February 29, 2016

Board:

Andris Krastiņš Chancellor of the Board	Jānis Mierkalns member of the Board	Evija Bīriņa member of the Board	Ilze Bukulde 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 2015, 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.

February 29, 2016

Board:

Andris Krastiņš
Chancellor of the Board

Jānis Mierkalns
member of the Board

Evija Bīriņa
member of the Board

Ilze Bukulde
member of the Board

Profit or loss calculation

	31.12.2015 EUR	31.12.2014 EUR
Net turnover	36 776 187	51 224 851
Production costs of the sold production	-37 315 128	-49 047 843
Gross profit	-538 941	2 177 008
Selling costs	-24 148	-45 050
General administration costs	-415 061	-369 691
Other income from company's economic activity	152 756	152 755
Other expenditures from company's economic activity	-581 551	-629 331
Profit or loss from economic activity	-1 102 531	1 285 691
Other interest income and the like income	23 075	39 781
Other interest payments and the like payments	-397 115	-566 909
Profit or loss before extraordinary items and taxes	-1 476 571	758 563
Company's deferred income tax	-16 961	-232 275
Other taxes	-20 485	-20 315
Profit or (loss)	-1 514 017	505 973
Profit/loss on share	-3.91	1.31
EUR per share		

The annex is an integral part of this financial statement

February 29, 2016

Board:

Andris Krastiņš Chancellor of the Board	Jānis Mierkalns member of the Board	Evija Bīriņa member of the Board	Ilze Bukulde member of the Board
--	--	-------------------------------------	-------------------------------------

Address: Kuldigas 86c, Saldus, LV-3801,
Saldus District., Republic of Latvia
Single registration number: 40003020121

Balance sheet

ASSETS

	31.12.2015 EUR	31.12.2014 EUR
LONG-TERM INVESTMENTS		
Intangible investments		
Concessions, patents, licences, trademarks and the like items	23 760	36 701
TOTAL	23 760	36 701
Fixed assets		
Land, premises and buildings	5 630 341	5 963 855
Equipment and machinery	10 513 206	9 678 507
Other fixed assets	59 338	77 498
Unfinished constructions	4 282 165	2 596 177
Advance payments for fixed assets	29 227	0
TOTAL	20 514 277	18 316 037
Biological assets	708 701	906 217
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	958 356	969 555
Deferred tax assets	92 013	108 974
TOTAL	2 068 058	2 096 218
TOTAL LONG-TERM INVESTMENTS	23 314 796	21 355 173
CURRENT ASSETS		
Stocks		
Raw materials, direct materials, auxiliary materials	1 664 079	2 689 650
Biological assets	555 392	555 511
Unfinished production	605 683	1 678 795
Finished production and goods for sale	2 112 554	1 351 877
Advance payments for goods	64 203	108 535
TOTAL	5 001 911	6 384 368
Noncurrent assets held for sale		
Fixed assets held for sale	306 288	306 288
Debtors		
Debts of buyers and customers	197 319	4 618 803
Debts of subsidiaries	3 210 498	361 065
Other debtors	42 430	72 011
Expenditures of the next periods	44 695	49 112
TOTAL	3 494 942	5 100 991
Money and its equivalents	4 925	4 086
TOTAL CURRENT ASSETS	8 808 066	11 795 733
TOTAL ASSETS	32 122 862	33 150 906

The annex is an integral part of this financial statement.
February 29, 2016

Board:

Andris Krastiņš Chancellor of the Board	Jānis Mierkalns member of the Board	Evija Bīriņa member of the Board	Ilze Bukulde member of the Board
--	--	-------------------------------------	-------------------------------------

Balance sheet (continuation)

LIABILITIES

	31.12.2015	31.12.2014
Shareholders' equity	EUR	EUR
Share capital	541 990	541 990
Increase of price of the issue of shares	2 828	2 828
Reserves from revaluation of long-term investments	1 600 057	1 600 057
Other reserves	3 741 168	3 741 168
Retained earnings from the previous year	2 772 876	2 266 903
Retained earnings from the year of account	-1 514 017	505 973
Total shareholders' equity	7 144 902	8 658 919
ACRUALS		
Accruals for holiday	213 657	244 479
TOTAL	213 657	244 479
CREDITORS		
Long-term liabilities		
Long-term loans from credit institutions	13 992 559	14 822 296
Other creditors	1 610 396	1 355 438
Long-term part of incomes from next periods	2 082 857	1 566 885
TOTAL	17 685 812	17 744 619
Short-term liabilities		
Short-term loans from credit institutions	2 456 871	1 583 645
Short-term part of financial lease	137 994	25 551
Debts to suppliers and contractors	3 491 932	4 098 362
Debts to subsidiaries	377 083	0
Advance payments received from buyers	115 017	107 650
Taxes payable	135 899	85 413
Other creditors	141 112	137 173
Incomes from the next periods short-term part	222 583	465 095
TOTAL	7 078 491	6 502 889
Total liabilities	24 764 303	24 247 508
Total shareholders' equity and liabilities	32 122 862	33 150 906

The annex is an integral part of this financial statement

February 29, 2016

Board:

Andris Krastiņš
Chancellor of the Board

Jānis Mierkalns
member of the Board

Evija Bīriņa
member of the Board

Ilze Bukulde
member of the Board

Address: Kuldigas 86c, Saldus, LV-3801,
Saldus District., Republic of Latvia
Single registration number: 40003020121

Cash flow statement

	2015	2014
	EUR	EUR
I. Cash flow from basic activity		
Profit (+) or loss (-) before extraordinary items and taxes:	-1 476 571	758 563
wear and tear of fixed assets and intangible investments (+)	1 451 647	2 320 114
revaluation of long-term investments	-57 744	68 610
revaluation of biological assets	197 635	-234 041
Accruals (except accruals for doubtful debts)	-30 822	22 330
Interest income	-23 075	-37 816
Income from finansation recognition	-189 212	-486 816
Interest expenditure	397 116	426 351
Profit or loss before the corrections of the impact of balance changes of current assets and short-term liabilities	268 974	2 837 295
increase (+) or decrease (-) of debtors debt	1 640 323	-470 389
increase (+) or decrease (-) of the reserves of accruals	1 382 338	-2 385 578
increase (+) or decrease (-) of the remainder of debts payable to suppliers, contractors and other creditors	-74 082	2 033 998
Gross cash flow from basic activity	3 217 553	2 015 326
Expenditures to pay interest payments	-397 116	-424 333
Net cash flow from basic activity	2 820 437	1 590 993
II. Cash flow from investments		
Income from selling fixed assets and intangible investments	0	181 468
Acquisition of fixed assets and intangible investments	-1 977 681	-215 044
Expenditures for advance payments for fixed assets and unfinished	-1 715 542	-2 575 730
Loans issued	0	-180 027
Net cash flow from investments	-3 693 223	-2 789 333
III. Cash flow from financing activities		
Received loans	1 798 664	2 827 817
Received LIAA financing	462 735	0
Expenditures for paying back loans	-1 325 941	-1 653 645
Expenditures for redemption of asset that was hired	-61 833	0
Cash flow from financing activities	873 625	1 174 172
IV. Fluctuations of exchange rate	0	0
V. Net cash flow of the year of account increase (+), decrease (-)	839	-24 168
VI. Money and its equivalents balance at the beginning of the year of account	4 086	28 254
VII. Money and its equivalents balance at the end of the year of account	4 925	4 086

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

February 29, 2016

Board:

Andris Krastiņš
Chancellor of the Board

Jānis Mierkalns
member of the Board

Evija Bīriņa
member of the Board

Ilze Bukulde
member of the Board

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
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
December 31, 2013	550 845	2 827	1 110 312	3 732 314	2 161 133	105 762	7 663 193
Adjustments for the transition to the euro	0	1	0	-1	8	0	8
Distribution of profit of the year 2013	0	0	0	0	105 762	-105 762	0
Investment revaluation reserve	0	0	489 745	0	0	0	489 745
Change in share capital	-8 855	0	0	8 855	0	0	0
Profit of the year of account	0	0	0	0	0	505 973	505 973
December 31, 2014	541 990	2 828	1 600 057	3 741 168	2 266 903	505 973	8 658 919
Distribution of profit of the year 2014	0	0	0	0	505 973	-505 973	0
Investment revaluation reserve	0	0	0	0	0	0	0
Profit of the year of account	0	0	0	0	0	-1 514 017	-1 514 017
December 31, 2015	541 990	2 828	1 600 057	3 741 168	2 772 876	-1 514 017	7 144 902

The annex is an integral part of this financial statement

February 29, 2016

Board:

Andris Krastiņš
Chancellor of the Board

Jānis Mierkalns
member of the Board

Evija Bīriņa
member of the Board

Ilze Bukulde
member of the Board

Address: Kuldigas 86c, Saldus, LV-3801,
Saldus District., Republic of Latvia
Single registration number: 40003020121

Annex to the financial statement

1. Corporative information

The joint stock company „PATA Saldus” (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. From 02 October 2015, the company Joint Stock Company "Saldus mežrūpniecība" has changed its name to Joint Stock Company "PATA Saldus", according to the decisions of Annual General Meeting of shareholders on July, 20, 2015.

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 „PATA Saldus” 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 „PATA Saldus” have been prepared in accordance with the Law on Accounting and Law on Annual Reports of the Republic of Latvia.

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 2015 through 31 December 2015.

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

Currency unit and Foreign currency translation

In accordance with the requirements of the “Law on the Procedure for Introduction of Euro” all amounts in these financial statements are expressed in the Latvian national currency – euro (EUR). Starting from 1 January 2014 the foreign currency transactions have been translated into euro applying the rate determined by the conversation procedure between central banks of the European System of Central Banks and other central banks and which is published on the European Central Bank’s website. All monetary assets and liabilities denominated in foreign currencies have been translated into lats at the official exchange rate established by the Bank of Latvia at the last day of the calendar year – 31 December 2013. On the Euro implementation day 1 January 2014 all monetary assets and liabilities were translated into euro in accordance with the exchange rate set by the European Union Council, considering the rounding principles determined by clause 6 of the “Law on the Procedure for introduction of Euro”. On the last day of the reporting year all monetary assets and liabilities were translated into euro in accordance with the rates published on the European Central Bank’s website

	31.12.2015	31.12.2014
	EUR	EUR
1 RUB	0.0123	0.0144
1 USD	0.9185	0.8224

Address: Kuldigas 86c, Saldus, LV-3801,
Saldus District., Republic of Latvia
Single registration number: 40003020121

Intangible investment

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

Intangible assets are accounted for their cost value which is depreciated for the useful life of assets on a straight 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 are accounted for their cost value less depreciation accrued.

Depreciation is calculated for the whole period of useful life by a straight 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	2-15 years
Forestry equipment	3- 5 years
Timber processing lines	3-15 years
Other property, plant and equipment	2-10 years
Data processing and storage equipment, software	2-5 years

In the reporting year the management made the decision to change the depreciation rates for the fixed assets groups:

- Plant and machinery from the 2-15 years (from 2-10 years);
- woodworking line from the 3-15 years (from 3-10 years)

If the depreciation rates would not be changed depreciation for the current period depreciation would be EUR 2 379 236 (after changes rates EUR 1 451647)

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.

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 2015 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 2015. 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.

Cash and cash equivalents

Cash and cash equivalents comprise balances of current account with banks and other highly liquid investments with original maturities up to 90 days.

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.

Address: Kuldigas 86c, Saldus, LV-3801,
Saldus District., Republic of Latvia
Single registration number: 40003020121

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

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

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

Address: Kuldigas 86c, Saldus, LV-3801,
Saldus District., Republic of Latvia
Single registration number: 40003020121

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 541 990. And consist of 387 136 public bearer shares. All shares are denominated and are dematerialised registered shares.

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

The Holding shows information through particular segments

	Logging		Timber processing		Other		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Net turnover	3 157 348	7 487 688	31 092 939	41 643 003	2 525 900	2 094 159	36 776 187	51 224 850
Production costs of the sold production	-2 865 566	-7 289 354	-31 289 337	-39 667 574	-3 160 225	-2 090 915	-37 315 128	-49 047 844
Selling costs	-4 551	-5 123	-670	-34 441	-18 927	-5 486	-24 148	-45 050
General administration costs	-18 869	-7 099	-24 988	-16 955	-371 204	-345 636	-415 061	-369 690
Other income/expenditures from company's economic activity	33 741	36 579	-178 288	-149 505	20 166	-363 649	-124 381	-476 575
Profit or loss from economic activity	302 103	222 691	-400 344	1 774 527	-1 004 290	-711 527	-1 102 531	1 285 691
Other interser income/payments and the like income	-11 226	-7 482	-80 222	-191 428	-282 592	-328 218	-374 040	-527 128
Company's deferred income tax	0	0	0	0	-16 961	-232 275	-16 961	-232 275
Other taxes	0	0	-8 067	-8 067	-12 418	-12 248	-20 485	-20 315
Income from segments activities	-150 496	39 733	-127 102	-309 836	277 598	270 103	0	0
Profit or (loss)	140 381	254 942	-615 735	1 265 196	-1 038 663	-1 014 165	-1 514 017	505 973
Segment assets	2 757 846	4 845 766	27 158 721	26 949 874	2 206 296	1 355 265	32 122 862	33 150 906
Segment liabilities	2 466 833	4 926 795	26 935 538	26 810 883	2 720 491	1 413 227	32 122 862	33 150 906

Address: Kuldigas 86c, Saldus, LV-3801,
Saldus District., Republic of Latvia
Single registration number: 40003020121

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.

	2015	2014
	EUR	EUR
Income from sales, int. Al.	33 145 035	48 096 323
Latvia	33 145 035	48 096 323
Other countries	0	0
Income from rendering of services, int. Al.	3 441 940	2 641 712
Latvia	3 441 940	2 641 712
Other countries	0	0
Financing of the EU structural funds	189 212	486 816
	36 776 187	51 224 851