

JOINT STOCK COMPANY „PATA SALDUS” AND ITS SUBSIDIARY COMPANIES

(UNIFIED REGISTRATION NUMBER 40003020121)

ANNUAL REPORT FOR THE YEAR 2015

DRAWN-UP IN COMPLIANCE WITH THE INTERNATIONAL FINANCIAL REPORTING
STANDARDS

AND INDEPENDENT AUDITORS' STATEMENT

Saldus, 2016

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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	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.
NACE code	022; 494; 521
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 Knipsis (<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 Purchase of lumber
The main areas of activities of the company	
Owner of the company	PATA Saldus (PATA Saldus), JSC – 100%
Reporting year	January 1 – December 31, 2015

Associated enterprise

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>Incūkalns</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. Koļešņikovas office”, LZRA licence No 127 Svetlana Koļešņikova Sworn Auditor (Certificate of Latvian Sworn Auditor No.22)
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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 company 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*)

Management announcement

To Consolidated report of economic activity for 2015

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.

The consolidated loss of the holding JSC „PATA Saldus” for the 2015 from economic activities is 1 737 130 EUR, whereby Net turnover is 36 790 873 EUR, which comprise loss per emitted share 4.49 EUR.

The consolidated companies 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 and of its consolidation group. There is true information included in the announcement.

Forecasts for financial indicators and plans for economic activities in 2016

Management of the holding continues its work with the internal restructurization of the holding, in order to adapt to the present situation in the market and to improve the economical situation and financial indicators in the company. Management policy is not based on wide profile economic activities, but is focused on the development of economic activities in two interrelated branches on increase of production volumes.

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 economical 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 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.

April 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

Consolidated income statement

	Note	31.12.2015 EUR	31.12.2014 EUR
Net turnover	4	36 790 873	51 961 462
Production costs of the sold production	5	-37 320 427	-49 725 783
Gross profit		-529 554	2 235 679
Selling costs	6	-47 232	-91 514
General administration costs	7	-440 412	-415 058
Other income from company's economic activity	8	217 361	216 081
Other expenditures from company's economic activity	8	-383 067	-844 091
Profit or loss from economic activity		-1 182 904	1 101 097
Other interest income and the like income	10	2 190	13 682
Write-off of long-term financial investments		0	-293 172
Other interest payments and the like payments	10	-532 622	-570 847
Profit or loss before extraordinary items and taxes		-1 713 336	250 760
Company's deferred income tax	11	0	-232 275
Other taxes	12	-23 794	-21 091
Profit or (loss)		-1 737 130	-2 606
Profit/loss on share		-4.49	-0.01
lats per share/EUR per share			
Profit or loss		-1 737 130	-2 606
Other comprehensive income for the period		95 315	76 465
Total comprehensive income for the period		-1 641 815	73 859

The annex from 12 to 30 page is an integral part of this financial statement

April 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
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Consolidated balance sheet

ASSETS

	Note	31.12.2015 EUR	31.12.2014 EUR
LONG-TERM INVESTMENTS			
Intangible investments			
Concessions, patents, licences, trademarks and the like items	13	23 760	36 701
TOTAL		23 760	36 701
Fixed assets			
Land, premises and buildings		6 005 374	6 407 475
Equipment and machinery		10 588 664	9 765 305
Other fixed assets		59 338	77 498
Unfinished constructions		4 547 859	2 887 489
		29 227	0
TOTAL	14	21 230 462	19 137 767
Biological assets			
		738 327	906 217
Long-term financial investments			
Investment in associated companies	15	8 540	8 540
Deferred tax assets	11	108 974	108 974
TOTAL		117 514	117 514
TOTAL LONG-TERM INVESTMENTS		22 110 063	20 198 199
CURRENT ASSETS			
Stocks			
Raw materials, direct materials, auxiliary materials		1 758 639	2 823 030
Biological assets		524 588	555 511
Unfinished production		605 683	1 678 795
Finished production and goods for sale		2 150 984	1 400 781
Advance payments for goods		64 203	108 535
TOTAL	16	5 104 097	6 566 652
Noncurrent assets held for sale			
Fixed assets held for sale		306 288	306 288
Debtors			
Debts of buyers and customers	17	212 410	4 640 586
Debts of subsidiaries		2 843 034	0
Other debtors	18	45 495	75 016
Expenditures of the next periods	19	43 261	49 113
TOTAL		3 144 200	4 764 715
Money and its equivalents			
	20	5 522	4 280
TOTAL CURRENT ASSETS		8 560 107	11 641 935
TOTAL ASSETS		30 670 170	31 840 134

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April 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

Consolidate balance sheet (continuation)

LIABILITIES

	Note	31.12.2015	31.12.2014
		EUR	EUR
Shareholders'equity			
Share capital	21	541 990	541 990
Increase of price of the issue of shares		2 828	2 828
Fluctation of exchange rate		-353 525	-340 573
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		1 549 507	1 443 846
Retained earnings from the year of account		-1 737 130	-2 606
Total shareholders'equity		5 344 895	6 986 710
CREDITORS			
Long-term liabilities			
Long-term loans from credit institutions	22	13 992 559	14 822 296
Other creditors	24	1 649 040	1 395 328
Accrued liabilities	25	213 657	244 479
Long-term part of incomes from next periods	27	2 082 857	1 566 885
TOTAL		17 938 113	18 028 988
Short-term liabilities			
Short-term loans from credit institutions	22	2 456 871	1 583 645
Debts to suppliers and contractors		2 930 937	4 409 495
Other loans	28	1 000 114	0
Debts to subsidiaries		377 083	0
Accrued liabilities	26	115 682	107 650
Taxes payable	23	141 989	94 124
Other creditors	24	141 903	164 427
Incomes from the next periods short-term part	27	222 583	465 095
TOTAL		7 387 162	6 824 436
Total liabilities		25 325 275	24 853 424
Total shareholders'equity and liabilities		30 670 170	31 840 134

The annex from 12 to 30 page is an integral part of this financial statement

April 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

Consolidated cash flow statement

	2015	2014
	EUR	EUR
I. Cash flow from basic activity		
Profit (+) or loss (-) before extraordinary items and taxes:	-1 713 336	250 760
wear and tear of fixed assets and intangible investments (+)	1 480 125	2 457 049
revaluation of long-term investments	-57 744	68 610
revaluation of biological assets	198 812	-234 041
Accruals (except accruals for doubtful debts)	-30 822	22 330
profit (-) or loss (+) from fluctuations of exchange rate	188 496	259 418
Income from finansation recognition	-189 275	-486 815
Interest expenditure	287 447	589 875
Profit or loss before the corrections of the impact of balance changes of current assets and short-term liabilities	163 703	2 927 186
increase (+) or decrease (-) of debtors debt	1 632 515	-459 156
		-2 185
increase (+) or decrease (-) of the reserves of accruals	1 431 633	909
increase (+) or decrease (-) of the remainder of debts payable to suppliers, contractors and other creditors	-97 480	1 901 019
Gross cash flow from basic activity	3 130 371	2 183 140
Expenditures to pay interest payments	-286 951	-587 857
Expenditures to pay company's property tax	-23 794	0
Net cash flow from basic activity	2 819 626	1 595 283
II. Cash flow from investments		
Income from selling fixed assets and intangible investments	50 083	181 467
Acquisition of fixed assets and intangible investments	-1 494 885	-223 424
		-2 575
Expenditures for advance payments for fixed assets and unfinished	-1 715 853	730
Net cash flow from investments	-3 160 655	687
III. Cash flow from financing activities		
Recieved loans	1 287 728	2 827 817
Recieved subsidies and grants	462 735	0
		-1 829
Expenditures for paying back loans	-1 244 239	472
Expenditures for redemption of asset that was hired	-163 953	0
Cash flow from financing activities	342 271	998 345
IV. Fluctuations of exchange rate	0	0
V. Net cash flow of the year of account increase (+), decrease (-)	1 242	-24 059
VI. Money and its equivalents balance at the beginning of the year of account	4 280	28 339
VII. Money and its equivalents balance at the end of the year of account	5 522	4 280

Cash flow statement is prepared according to indirect method in accordance with SGS Nr.7.

The annex from 12 to 30 page is an integral part of this financial statement

April 29, 2016

Board:

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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	Reserves from revaluation of long-term investments	Currency fluctuations due to the reestimation of foreign currency	Share premium	Other reserves	Previous years retained earnings	Retained profit/loss of the year of account	Total own capital
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
December 31, 2013	550 845	1 110 312	-4 784	2 827	3 732 314	1 292 413	-260 821	6 423 106
Fluctuation of exchange rate	0	0	-335 790	1	0	412 254	0	76 465
Distribution of profit of the year 2013	0	0	0	0	0	-260 821	260 821	0
Investment revaluation reserve	0	489 745	0	0	0	0	0	489 745
Change in share capital	-8 855	0	0	0	8 855	0	0	0
Profit of the year of account	0	0	0	0	0	0	-2 606	-2 606
December 31, 2014	541 990	1 600 057	-340 573	2 828	3 741 168	1 443 846	-2 606	6 986 710
Fluctuation of exchange rate	0	0	-12 951	0	0	108 267	0	95 316
Distribution of profit of the year 2014	0	0	0	0	0	-2 606	2 606	0
Profit of the year of account	0	0	0	0	0	0	-1 737 130	-1 737 130
December 31, 2015	541 990	1 600 057	-353 525	2 828	3 741 168	1 549 507	-1 737 130	5 344 895

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April 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

Annex to the financial statement

1. Corporative information

JSC "PATA Saldus" Group (hereinafter - the Group) mainly engaged in logging and wood processing.

Joint stock company „PATA Saldus” (hereinafter - the Parent 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. On 2 October 2015, the 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 20 July 2015.

Parent company's shares are listed on the Riga Stock Exchange.

The Group's consolidated financial statements were authorized for issue in accordance with the decision of the Board and Council.

The Group's shareholders have the right to amend the financial statements after its issue.

2. Important accounting principles

In preparation of the holding company's financial statement, there were used the following accounting principles:

Principles of preparing the financial statement

The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS as adopted by the EU). Due to the European Union's endorsement procedure, the standards and interpretations not approved for use in the European Union are presented in this note as they may have impact on financial statements of the Company in the following periods if endorsed.

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

The Group carried out a revaluation of its land at the end of 2015 and concluded that their market value exceeded their carrying value at the date of revaluation and at the beginning and end of previous reporting period.

Currency and items used in the preparation of the financial statement

In financial statements as a monetary unit is used Euro (EUR)- the monetary unit of the Republic of Latvia.

Consolidation

The consolidated financial statement includes the financial statements of the joint-stock company PATA Saldus and its subsidiary companies Pakuļi Sports Centre Ltd., ооо Деревообрабатывающий комбинат № 3 and ооо Saldus. The financial statements of the subsidiary companies were prepared in the same year as the financial statement of the holding's parent company and using the same accounting policies. The consolidated financial statement includes all assets, liabilities, incomes, expenditures, profit, loss and cash flow of the joint-stock company PATA Saldus and the financial statements of all its subsidiary companies over which the parent company keeps its control in the way as if the joint-stock company PATA Saldus and its subsidiary companies were one company. In preparation of the Holding's financial statement is excluded the interrelated unrealized profit, mutual payments, mutually owned capital shares and other mutual deals. When purchasing its subsidiary companies the Holding uses a purchase method. The predominance of purchase costs over the real value of net actives obtained by the Holding is accounted as an intangible value.

Consolidation of foreign subsidiary companies

By including in the financial statements the financial showings of foreign subsidiary companies, the Holding's parent company recalculates monetary and non-monetary assets, liabilities, incomes and expenditures in accordance with the exchange rate established by the Bank of Latvia on the last day of the year of account. Differences in the exchange rate which arise when assets and liabilities are reflected are classified as own capital. The consolidation of the financial statements of foreign subsidiary companies is carried out in compliance with the established consolidation procedures, e.g. by excluding mutual transactions of the companies which belong to the same Holding.

Changes in accounting policy and disclosures

The following new and amended IFRS and interpretations come and apply to the Company's operations, but have no impact on these financial statements apart from certain new disclosure requirements:

IFRS 10 "Consolidated financial statements" (effective for annual periods beginning on or after 1 January 2013, endorsed by EU for annual periods beginning on or after 1 January 2014);

Amendments to IAS 19 "Employee benefits plans" regarding defined benefit plans (effective for annual periods beginning on or after 1 July 2014, not yet endorsed in the EU);

Annual improvements 2012 (effective for annual periods beginning on or after 1 July 2014, not yet endorsed in the EU). These amendments include changes that affect 7 standards:

- IFRS 2 "Share-based payment"
- IFRS 3 "Business Combinations"
- IFRS 8 "Operating segments"
- IFRS 13 "Fair value measurement"
- IAS 16 "Property, plant and equipment" and IAS 38 "Intangible assets"
- Consequential amendments to IFRS 9 "Financial instruments"
- IAS 37 "Provisions, contingent liabilities and contingent assets", and
- IAS 39 "Financial instruments - Recognition and measurement"

Annual improvements 2013 (effective for annual periods beginning on or after 1 July 2014, not yet endorsed in the EU). The amendments include changes that affect 4 standards:

- IFRS 1 "First time adoption"
- IFRS 3 "Business combinations"
- IFRS 13 "Fair value measurement" and
- IAS 40 "Investment property"

Amendment to IFRS 11 "Joint arrangements" on acquisition of an interest in a joint operation

(effective for annual periods beginning on or after 1 January 2016, not yet endorsed in the EU);

Amendments to IAS 16 "Property, plant and equipment" and IAS 41 "Agriculture" regarding bearerplants (effective for annual periods beginning on or after 1 January 2016, not yet endorsed in the EU);

Amendment to IAS 16 "Property, plant and equipment" and IAS 38 "Intangible assets" on depreciation and amortization (effective for annual periods beginning on or after 1 January 2016, not yet endorsed in the EU);

IFRS 14 "Regulatory deferral accounts" (effective for annual periods beginning on or after 1 January 2016, not yet endorsed in the EU);

Amendments to IAS 27 "Separate financial statements" on the equity method (effective for annual periods beginning on or after 1 January 2016, not yet endorsed in the EU);

Amendments to IFRS 10 "Consolidated financial statements" and IAS 28 "Investments in associates and joint ventures" (effective for annual periods beginning on or after 1 January 2016, not yet endorsed in the EU);

Annual improvements 2014 (effective for annual periods beginning on or after 1 July 2016, not yet endorsed in the EU). The amendments include changes that affect 4 standards:

- IFRS 5 "Non-current assets held for sale and discontinued operations"
- IFRS 7 "Financial instruments: Disclosures" with consequential amendments to IFRS 1
- IAS 19 "Employee benefits"
- IAS 34 "Interim financial reporting"

IFRS 15 "Revenue from contracts with customers" (effective for annual periods beginning on or after 1 January 2017, not yet endorsed in the EU).

IFRS 9 "Financial instruments" (effective for annual periods beginning on or after 1 January 2018, not yet endorsed in the EU).

Bookkeeping and accounting principles has not changed compared to the previous reporting period.

Use of calculations

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.

Transactions in foreign currencies

The Holding's accountancy is kept in Latvian lats (EUR) except for the OOO «Салдус» and OOO «Деревообрабатывающий комбинат № 3» where are used RUB Russian roubles.

All transactions in foreign currencies have been re-estimated in Latvian lats in accordance with the official exchange rate, established by the Bank of Latvia on the day of corresponding transaction. Assets and liabilities which are shown in foreign currencies are re-estimated in Latvian lats in accordance with the exchange rate, established by the Bank of Latvia on the last day of accounting year. Differences arising from transactions in foreign currencies or from showing assets and liabilities in foreign currencies which differ from the initial exchange rates are shown in the profit or loss calculations in their net value. Re-estimation of the capital of the OOO «Салдус» and OOO «Деревообрабатывающий комбинат № 3» into the currency used in the Holding is done by applying the exchange rate that is valid on the day of preparing the balance sheet and regarding to profit or loss posts- by applying exchange rate of the year of account. Corrections due to re-estimation are shown in a separate post of own capital.

	31.12.2015	31.12.2014
	EUR	EUR
1 RUB	0.0124	0.0144
1 USD	0.9185	0.8224

Intangible investments

Intangible investments are counted in their initial value which is being amortized during their effective time of use and is done by applying a linear method. If there are any events or the change of circumstances that identify that the balance value of intangible investments could be unrecoverable, the corresponding value of intangible investments is re-evaluated in order to determine the decrease of their value. Loss which occurs due to the decrease of value is acknowledged if the balance value of intangible investments exceeds the recoverable value.

The intangible investments include the licences of software used in the Holding, intangible value and other intangible investments which are related to the activity of parent and subsidiary companies of the Holding.

The licences of software which are used in the Holding are accounted in their purchase value by deducting their amortisation. amortisation is calculated for the whole period of their effective time by applying a linear method.

Expenditures related to the maintenance of the software are included as expenditures in the profit/loss statement.

Capital assets

Capital assets are accounted in their initial value except for their depreciation and the decrease of their value. For land the depreciation is not calculated

Depreciation is calculated for the time of their effective use, by applying a linear method:

Buildings, constructions	10-20 years
Equipment and machinery	2-15 years
Forest equipment	3-5 years
Timber processing lines	3-15 years
Other capital assets	2-10 years
Computing and data gathering devices, software	2-5 years

In the reporting year the members of the Board took the decision to change the depreciation rates starting from 1 January 2015 for the following fixed assets groups:

- Machinery and equipment from 2-15 years (previously from 2-10 years);
- Timber processing lines from 3-15 years (previously from 3-10 years).

As a result of this activity in 2015 was reduced depreciation by EUR 927 589

Wear and tear of capital assets is calculated starting from the following month when they are put into operation or involved in economic activity. For each part of capital assets if their costs are significant to the initial cost of the corresponding capital asset wear and tear is calculated separately. The routine repairs of capital assets are included in the profit or loss calculations in the period when they occur.

The accounting value of capital assets is not longer estimated if they are alienated or if in the future there is not expected any outcome from their use. Profit, which arises due to the said circumstances (which is calculated as difference between net income and the balance of capital assets), must be included in the profit or loss calculation and in the period when it happened.

If there are events or circumstances which indicate that the balance value of capital assets could not be recovered, the value of corresponding capital assets is re-evaluated in order to determine the decrease of their value. If there are signs that the value can not be recovered and if the balance value of assets exceeds the recoverable amount, the asset is written off to its recoverable amount. Unfinished construction shows the costs of capital assets and unfinished constructions and it is accounted in its initial value. The initial costs include construction costs and other direct expenditures. Wear and tear for unfinished constructions is not calculated until the appropriate assets are finished 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 29.04.2014

Records are prepared in accordance with SGS Nr.16 requirement.

Noncurrent assets held for sales

An entity should classify a noncurrent asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition – subject only to terms that are usual and customary for sales of such assets.

An entity should recognize a gain for any subsequent increase in fair value less costs to sell of an asset but not in excess of the cumulative impairment loss that has been previously recognized.

Biological assets

In 2008 the company management decided to change accountancy policies for forest stands, complying with IAS 41 Agriculture. According to the new accountancy policy 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 8%. 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

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 off to its recoverable amount. Losses from the decrease of value are shown in profit or loss calculation as expenditures from other economic activity.

Loan costs

Loan costs are shown in profit or loss calculation at the time when they occur in accordance with the Bookkeeping Standards Principle IAS 23.

Lease

Financial lease transactions when the Holding is handed over all risks and compensation, arising from proprietorship towards the leasehold, in the balance sheet are acknowledged as capital assets the amount which at the beginning of lease corresponds with the purchase value of the leasehold. Financial lease payments are divided between financial expenditures and decrease of liabilities so that in each period they guarantee constant interest rate with regard to remainder of liabilities. Financial expenditures are included in profit or loss calculation as interest expenditures.

Lease of capital assets when practically all risks arising from proprietorship and compensation receives lessor is classified as operative lease. Lease payments then are accounted as expenditures during the whole period of lease and are attributed to the profit or loss calculation in the whole period of lease by using a linear method.

Inventories

Unfinished products

Reserves are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out (FIFO) method, the cost of direct materials purchase costs and labor costs plus the indirect production costs, which consist of labor, energy, depreciation and other production-related expense calculated based on normal production volumes. Net selling value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses.

Raw materials are accounted in their purchase costs.

Finished goods and goods for sale

Reserves are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out (FIFO) method, the cost of direct materials purchase costs and labor costs plus the indirect production costs, which consist of labor, energy, depreciation and other production-related expense calculated based on normal production volumes. Net selling value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses.

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.

FinventorDebts 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.

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. More detailed information on spread of share capital is given in the Note 21.

Profit per share

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

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.

Further loans will be shown in their depreciation value.

Profit or loss arisen due to depreciation is shown in the calculation of profit or loss as interest incomes and expenditures.

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.

Accruals and deferred liabilities

Accruals and deferred liabilities are accounted so that incomes and expenditures could be acknowledged at the time of rising.

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:

Incomes from service rendering mainly include transport services related to timber processing.

Incomes from services are recognized and they correspond with the volume of service. Incomes from services are recognized in the period when they were rendered.

If it is not possible to reasonably estimate the outcome of deal, income is recognized only in the amount in which recognized expenditures could be recovered.

Sale of goods

Incomes are recognized when the Holding has handed over to a buyer all risks and compensations related to the proprietorship and goods, i.e. when the Holding has delivered goods to a buyer, and the buyer has accepted the goods in compliance with the concluded agreement and when there is good enough guarantee about the receiving of debtors' debts.

Interest

Incomes are recognized in the period when they arise and are included in the profit and loss calculation.

Dividends

Incomes are recognized when shareholders have rights to receive them.

Income from lease

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

Taxes

Company income tax

The income tax of parent and subsidiary companies of the Holding is calculated by applying the 15% company income tax rate to the income earned in the corresponding period of taxation established by the legislative acts of the republic of Latvia.

Deferred company income tax

Deferred company income tax, which has arisen from short-term differences by including particular posts in tax declaration and in this financial statement, is calculated by applying the Liability Tax Allocation Method. The assets and liabilities of the deferred company income tax are established on the basis of tax rates which are to be applied when disappear short-term differences. Main short-term differences arise from different wear and tear rates applied by accounting and taxation needs as well as from particular accruals and tax losses which have been transferred on to the following five years. The assets of deferred company income tax in the financial statement are shown only in the case if their recoverability could be plausibly foreseen.

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.

Allowances

Parent and subsidiary companies of the Holding pay social insurance payments, health, pension and unemployment payments according to the state established rates which are in force in the year of account and on the basis of gross salary. Parent company makes payments into private pension plans as well as makes health insurance payments. Parent company does not have to follow additional legal or other liabilities or to make additional payments if the state funded pension schemes or private pension plans can not meet their liabilities towards employees. Social insurance and pension plan payments as well as health insurance payments are included in the expenditures in the same period when the according payment was made. Pension plan payments and cash flow are similar, and the employer does not account assets or liabilities by accruals method.

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.

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	3 162 597	7 487 688	31 102 376	41 720 153	2 525 900	2 017 010	36 790 873	51 961 462
Production costs of the sold production	-2 865 643	-7 967 294	-31 327 067	-39 667 575	-3 127 717	-2 090 915	-37 320 427	-49 725 783
Selling costs	-8 995	-22 700	-19 310	-63 328	-18 927	-5 486	-47 232	-91 514
General administration costs	-22 468	-18 800	-49 892	-50 622	-368 052	-345 636	-440 412	-415 058
Other income/expenditures from company's economic activity	10 197	34 535	-193 188	-539 397	17 284	-123 149	-165 706	-628 010
Profit or loss from economic activity	275 688	-486 571	-487 081	1 399 231	-971 512	-548 176	-1 182 904	1 101 097
Other interest income/payments and the like income	-12 118	-8 338	-235 223	90 580	-283 091	-195 966	-530 432	-850 337
Company's deferred income tax	0	0	0	0	0	-232 275	0	-232 275
Other taxes	0	0	-11 011	-8 067	-12 783	-13 024	-23 794	-21 091
Income from segments activities	-150 496	39 733	-127 102	-309 836	277 598	270 103	0	0
Profit or (loss)	113 074	-455 176	-860 417	1 171 908	-989 788	-719 338	-1 737 130	-2 606
Segment assets	2 636 452	4 654 167	25 928 038	25 932 243	2 105 679	1 253 725	30 670 170	31 840 134
Segment liabilities	2 355 004	5 101 573	25 744 788	25 399 718	2 570 378	1 338 843	29 843 369	31 840 134

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. AI.	33 154 472	48 821 548
Latvia	33 145 035	48 096 324
Other countries	9 437	725 224
Income from rendering of services, int. AI.	3 447 189	2 653 098
Latvia	3 441 940	2 641 711
Other countries	5 249	11 387
Financing of the EU structural funds	189 212	486 816
	36 790 873	51 961 462

5. Production costs of the sold production

	2015	2014
	EUR	EUR
<u>Production cost of products sold</u>		
Salary of employees	2 189 144	2 285 179
Social insurance costs	527 207	533 294
Reserve for vacation pays	29 227	15 440
Depreciation of property, plant and equipment	1 391 149	2 270 814
Costs of purchase of materials	1 276 050	1 319 356
Stem fee (purchase of cutting rights)	1 113 276	5 060 679
Purchase costs of sawn timber	25 429 052	32 309 463
WIP inventory adjustment	-127 488	-266 646
Electricity and heating costs	1 354 035	1 514 071
Production related contractors expenses	1 473 284	2 044 536
Production equipment maintenance costs	705 978	814 347
Fuel costs	761 967	993 479
Revaluation of biological assets	198 812	-286 709
Production equipment maintenance costs	978 410	1 066 868
Other services received	20 324	51 612
	37 320 427	49 725 783

6. Selling costs

	2015	2014
	EUR	EUR
Adevertisement costs, market research, marketing	5 111	10 655
Transportation costs of goods	18 503	50 749
Other production costs	23 618	30 110
	47 232	91 514

7. General administration costs

	2015	2014
	EUR	EUR
Salaries to employees	144 858	155 084
Maintenance of administration capital assets	75 584	49 843
Expense associated with maintenance of administration	48 536	52 385
Office maintenance costs	103 149	92 983
Annual report Audit expenses	5 040	9 735
Banking expenses	63 245	55 028
	440 412	415 058

8. Other income from company's economic activity; Other expenditures from company's activity

	2015	2014
	EUR	EUR
<u>Other income</u>		
Net income from sale of long fixed assets	57 744	404
Other income	390	62 725
Income from lease of fixed assets	145 023	134 445
Financing of the EU structural funds and LAD	14 204	18 507
	217 361	216 081
<u>Other expense</u>		
Dues paid for land plots used in production	10 647	10 972
Security costs	70 556	94 556
Provisions for doubtful accounts receivable	10 672	264 407
Employee training expenses	4 450	31 160
Other economic activity expenses	286 742	682 997
	383 067	844 091

9. Staff costs

	2015	2014
Average number of employees	185	222
Total personnel costs	EUR	EUR
Wage from a different legislative	10 180	15 680
Wages	2 327 501	2 317 848
Social tax	553 463	538 546
Risk duty	823	877
	2 891 967	2 872 951
including:		
wages of production workers		
Wage from a different legislative	3 334	7 216
wages	2 217 831	2 168 343
social tax	527 207	522 299
Risk duty	792	851
	2 749 164	2 680 086
administration wages		
Wage from a different legislative	6 846	14 332
wages	87 844	70 565
social tax	21 107	16 247
Risk duty	27	26
	115 824	101 170
incl. remuneration to company management - board		
wages	21 826	75 470
Social tax	5 149	16 216
Risk duty	4	9
	26 979	91 695

10. Other costs of economic activity

	2015	2014
	EUR	EUR
<u>Income</u>		
Income from the interest due	2 190	11 717
Other income	0	1 965
	2 190	13 682
<u>Expense</u>		
Currency exchange expenses	24 006	37 562
Exchange rate fluctuations expenses	150 764	153 145
Fines paid	32 302	28 843
Other expense	37 548	32 056
Loan interest calculated	281 378	319 241
Financial lease interest recognised	6 624	0
	532 622	570 847

11. Company's deferred income tax:

	2015	2014
	EUR	EUR
<u>Liabilities of the deferred company income tax</u>		
The residual value of capital assets in accounting (excluding the value of land, advance payments and unfinished construction)	14 277 070	13 813 119
Residual value of capital assets needed for taxes	7 430 357	8 072 584
Tax losses not covered	1 479 197	1 016 709
Accruals for holidays	32 049	36 672
Revaluation of biological asset	-110 749	-83 327
Accruals of unfinished production	0	-39 997
Temporary difference	-6 846 713	-5 740 535
Liabilities of deferred tax	-1 027 007	-861 080
Assets of deferred tax	373 490	108 974
Deferred tax 15%*	-264 516	-232 275

*Unrecognised tax assets-in Profit or loss calculation are shown 0 EUR

12. Other taxes

	2015	2014
	EUR	EUR
Property tax	23 794	21 091
	23 794	21 091

13. Intangible investments

		Software
		EUR
As at 31.12.2014.		120 947
	Purchase	638
2015	Liquidity	0
	Impairment	0
As at 31.12.2015		121 585
Amortisation accrued 31.12.2014.		84 246
	Amortisation	13 579
2015	Amortisation of liquid assets	0
	Impairment	0
Amortisation accrued 31.12.2015		97 825
As at 31.12.2014		36 701
As at 31.12.2015		23 760

Amortisation rate (by linear method) 5 year

Goodwill Holdings goodwill on. 31.12.2015 is 0

14. Fixed assets

	Land, buildings and systems	Equipment and machinery	Other fixed assets	Unfinished fixed assets	Advance payments for fixed assets	Total
	EUR	EUR	EUR	EUR	EUR	EUR
Accounting value 31.12.2014	8 503 812	17 518 974	240 812	2 887 489	0	29 151 087
2015 Purchase	6 134	1 918 639	16 773	1 685 988	29 227	3 656 761
2015 Liquidity	0	-555 653	-11 234	0	0	-566 887
2015 Reconstruction	0	0	0	0	0	0
2015 Currency fluctuations	-54 477	-13 085	-1	-25 618	0	-93 181
Accounting value 31.12.2015	8 455 469	18 868 875	246 350	4 547 859	29 227	32 147 780
Accured wear and tear 31.12.2014	2 096 337	7 753 669	163 314	0	0	10 013 320
2015 Depreciation	353 758	1 077 856	34 932	0	0	1 466 546
2015 Depreciation of liquid assets	0	-551 314	-11 234	0	0	-562 548
Accured wear and tear 31.12.2015	2 450 095	8 280 211	187 012	0	0	10 917 318
Residual value 31.12.2014	6 407 475	9 765 305	77 498	2 887 489	0	19 137 767
Residual value 31.12.2015	6 005 374	10 588 664	59 338	4 547 859	29 227	21 230 462

Rate of wear and tear (linear method) 5-20 year 2-15 year 2-10 year

Cadastral value has been set for buildings and land of Latvian property owned by the company in amount to 1 384 533 EUR

Unfinished construction and advance payments for capital assets

	2014 EUR	2014 EUR
Unfinished fixed assets Pakuļu sporta bāze SIA	112 225	112 225
Unfinished fixed assets ООО «Деревообрабатывающий комбинат № 3	153 469	179 087
Unfinished fixed assets Saldus mežrūpniecība AS	4 282 165	2 596 177
	4 547 859	2 887 489

15. Investment in associated companies

	Shares owned %	Investment value	Depreciation of value	Accounting value of investment as at 31.12.2015
		EUR	EUR	EUR
SIA Saldus enerģija	20	8 540	0	8 540
total investment in associated companies:		8 540	0	8 540

Associated companies equity of subsidiary enterprise at 31.12.2015 907 740 EUR.

Subsidiary enterprise loss of the account year 67 469 EUR

16. Stocks

	2015	2014
	EUR	EUR
Materials, spare parts, inventory	88 265	104 192
Raw materials (round timber in forest and in mill)	1 670 374	2 718 838
Total raw materials:	1 758 639	2 823 030
Biological assets	524 588	555 511
Unfinished goods (round timber in forest and in mill)	50 483	52 308
Timber in production	555 200	1 626 487
Total unfinished goods:	605 683	1 678 795
Ready sawn materials products	2 150 984	1 400 781
Total ready products and goods for sale	2 150 984	1 400 781
Advance payments for goods	64 203	108 535

In the Holding on 31.12.2015. was carried out inventory and non-marketable stocks were not established.

17. Debts of buyers and customers; Debts of subsidiaries

	2015	2014
	EUR	EUR
Accounting value of trade receivables	212 410	4 640 586
receivables from related companies	2 843 034	0

Balance of trade receivables is reflected in the balance sheet in their net value. At the beginning of the reporting period, the balance of the provision for bad debts is EUR 273 608. In 2015 provisions for doubtful debts are made in amount of EUR 10 672. Provision for doubtful debts on 31.12.2015. is EUR 284 280. Bad debt provisions have been made based on assessment of financial status and operational activities of clients considering repayment of debts in accordance with agreements signed and potential for recovery of debt. Provisions 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

18. Other debtors

	2015	2014
	EUR	EUR
Surplus tax payment	38 193	67 771
Guarantee payments made	4 237	4 237
Other debtors	3 065	3 008
In total other debtors	45 495	75 016

19. Expenditures of the next periods

	2015	2014
	EUR	EUR
Insurance	18 453	14 976
Licence fees	304	1 455
Other	24 504	32 682
In total expenditure of the next periods	43 261	49 113

20. Money and its equivalents

	2015	2014
	EUR	EUR
Money in accounts	5 522	4 280
Money total	5 522	4 280

	2015	
Currency division	Currency	EUR
	EUR	4996
	RUB	42457
		5 522

21. Share capital, reserves and profit per share

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

	%	2015	2014
Shares of closed issue			
SIA Saldus mežrūpniecības uzņēmums	44.39	171 833	171 833
SIA Juridiskais birojs Merkants	0.00	0	105 327
SIA Pienjāņi	0.00	0	46 928
SIA JL Index	0.00	0	19 357
SIA Kubīt	27.21	105 327	0
SIA PATA	20.88	80 842	0
stockholders (each below 5%)	8.00	29134	43 691
Shares of public offering *		387 136	61 167
Total:	100	387 136	387 136

*Shares of public offering consist of 387136 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 1.40 euro.

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.

	Number of shares	The value of the shares
31.12.2014	387 136	541 990
31.12.2015	387 136	541 990
	2015	2014
	EUR	EUR
Profit of the period of account	-1 737 130	-2 606
Number of shares 31.12.2015	387 136	387 136
Basic profit per share per year	-4.49	-0.01

22. Loans from credit institutions

	% rate in force	The repayment term	2015 EUR	2014 EUR
Long-term:				
Nordea Bank AB Latv. Fil creditline((2013-104-OD)	EONIA + 2.5%	20.05.2015	7 828 991	7 829 915
Nordea Bank AB Latv. Fil creditline(2011-150-OD)	EONIA + 2.4%	31.12.2016	0	1 498 556
Nordea Bank AB Latv. Fil creditline9(2011-150-OD)	EONIA + 2.4%	30.11.2016	688 911	748 650
Nordea Bank AB Latv. Fil (2012-85-A)	EURIBOR (12m) + 2.4 %	31.07.2017	432 108	454 976
Nordea Bank AB Latv. Fil ((2012-84-A)	EURIBOR (1.m) + 2.4 %	31.07.2017	1 439 959	1 579 130
Nordea Bank AB Latv. Fil (2006/202/A	EURIBOR (3m) + 2.4 %	28.02.2018	238 916	279 583
Nordea Bank AB Latv. Fil (2006-147-A)	EURIBOR (3m) + 2.4 %	05.03.2018	124 447	145 613
Nordea Bank AB Latv. Fil (2014-169-A)	EURIBOR (1m) + 1.5 %	10.08.2019	1 783 321	1 375 410
JSC development financial institution Altum		26.08.2024	1 455 907	910 463
			13 992 559	14 822 296
Short-term:				
Nordea Bank AB Latv. Fil creditline(2010-139-OD)	EONIA + 2.4%	up to 12 mon.	1 580 671	499 992
Nordea Bank AB Latv. Fil creditline(2011-150-OD)	EONIA + 2.4%	up to 12 mon.	125 000	250 000
Nordea Bank AB Latv. Fil (2012-85-A)	EURIBOR (12m) + 2.4%	up to 12 mon.	45 735	91 470
Nordea Bank AB Latv. Fil (2012-84-A)	EURIBOR (12m) + 2.4%	up to 12 mon.	278 342	556 683
Nordea Bank AB Latv. Fil (2006/202/A	EURIBOR (3m) + 2.4%	up to 12 mon.	61 000	122 000
Nordea Bank AB Latv. Fil (2006-147-A)	EURIBOR (3m) + 2.4%	up to 12 mon.	31 750	63 500
Nordea Bank AB Latv. Fil (2014-169-A)	EURIBOR (1m) + 1.5%	up to 12 mon.	334 373	0
			2 456 871	1 583 645
Total			16 449 430	16 405 941

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

23. Taxes payable

	31.12.2014	Paid in 2015	Calculated in 2015	Fine	Credited to the current account	Taxes recognized as other taxes	31.12.2015
	EUR	EUR	EUR	EUR		EUR	EUR
Company Income Tax(Adjustment)	-50	50	50	0	0	0	-50
Value Added Tax	67 733	27 800	-529 161	50	-4 077	-582 374	38 193
Personal Income Tax	-19266	329441	443423	7431	0	117567	-69 850
State Social Insurance Mandatory Contributions	-66005	289100	799813	651	0	464790	-65 838
Natural Resources Tax	-142	144	142	0	0	-2	-142
Real Estate Tax	-322	20799	20817	0	0	0	-340
Risk duty	38	700	823	1	0	0	-69
Other legislative taxes	-8 340	19 496	16 856	0	0	0	-5 700
Total	-26 353	687 530	752 763	8 133	-4 077	-19	-103 796
Debt on taxes	-94 124	0	0	0	0	0	-141 989
Overpayd taxes	67 771	0	0	0	0	0	38 193

24. Other creditors

	2015	2014
	EUR	EUR
<u>Short-term</u>		
Salary payments	136 793	132 310
Contributions to private pension funds	3 042	3 042
Payments for deductions from wages	1 045	1 230
Advance payments to employees	259	475
Other creditors	764	27 370
	141 903	164 427
<u>Long-term:</u>		
Nordea Finance Latvia SIA	363 729	108 771
Other creditors	1 285 311	1 286 557
	1 649 040	1 395 328

25. Accrued liabilities

	2015	2014
	EUR	EUR
Accrued for holidays	213 657	244 479
	213 657	244 479

26. Accrued liabilities

	2015	2014
	EUR	EUR
Accrued liabilities	115 682	107 650
	115 682	107 650

27. Incomes from the next periods

	2015	2014
	EUR	EUR
Long-term:		
Project No. APV-14-0014	422 837	0
Project No..04/415034/0002/023	0	0
Project No.L-APV-10-0015	1 660 020	1 566 885
	2 082 857	1 566 886
Short-term		
Project No. APV-14-0014	36 829	1 316
Project No.L-APV-10-0015	185 754	463 717
Other income	0	62
	222 583	465 095

28. Other loans

	% rate in force	2015	2014
		EUR	EUR
Short-term:			
Nordea finance Latvija SIA	3 mon. Euribor+3%	862 120	0
Nordea finance Latvija SIA	3 mon +2%	137 994	0
Total		1 000 114	0

29. 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.al. unplanned taxes and decreased ecological risks in all objects.

30. 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, 2015 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 and loans granted by the bank and its parent company, by planning terms of paying back loans, by establishing and analyzing cash flows of the next periods arising from existing and planned loans and interest fees due. The system on how to prepare the Holding's budget is very useful and helpful in the process of management and control of liquidity risks.

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.

31. 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.

32. Transactions with associated persons

Subsidiary	Type of transaction		Income from subsidiaries	Debts of subsidiaries	Credits to subsidiaries
			EUR	EUR	EUR
SIA Pata	debt and sales of ready production	2014	48 470 811	4 018 726	235 815
		2015	35 079 861	2 843 034	377 083
SIA PATA Kokmateriāli	debt and sales of ready production	2014	19270	1 757	0
		2015	23700	4 008	0
SIA Saldus Energija	debt and sales of ready production	2014	1 021 514	371 147	0
		2015	1 189 621	0	28 381
Managenent	loan	2014	0	0	588 333
		2015	0	0	588 333
		2014	49 511 595	4 391 630	824 148
		2015	36 293 182	2 847 042	993 797

Joint-stock company „PATA Saldus” and its subsidiary companies

Address: Kuldīgas iela 86c, Saldus LV-3801,

Saldus District., Republic of Latvia

Single registration number: 40003020121

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(Audited)

Auditor's statement