

JOINT STOCK COMPANY „PATA SALDUS”

(UNIFIED REGISTRATION NUMBER 40003020121)

ANNUAL REPORT FOR THE PERIOD OF 3 MONTHS OF 2016 (UNAUDITED)

PREPARED IN ACCORDANCE WITH

THE LAW OF THE REPUBLIC OF LATVIA ON ANNUAL REPORTS

Saldus, 2016

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

(unaudited)

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 novads, 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	Andris Krastiņš (<i>Andris Krastiņš</i>)- Chancellor of the Board Janis Mierkalns (<i>Jānis Mierkalns</i>) – member of the Board Evija Birina (<i>Evija Bīriņa</i>) - member of the Board 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) 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) Inga Mierkalna (<i>Inga Mierkalna</i>)- member of the Council 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 – March 31, 2016
2. Name of the company	Woodworking Centre No.3 (<i>Деревообрабатывающий комбинат № 3</i>) (100%)
Legal status of the company	Limited Liability Company (ООО - Общество с ограниченной ответственностью)
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 – March 31, 2016
3. Name of the company	Saldus (<i>Салдус</i>) (100%) (is reorganised on March 11, 2016)
Legal status of the company	Limited Liability Company (ООО - Общество с ограниченной ответственностью)
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 – March 31, 2016

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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-March 31, 2016

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 – March 31, 2016

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)
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Changes in a commercial company that is made during 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 Kalnins (*Atis Kalniņš*), Ieva Sniedze (*Ieva Sniedze*)
- Released members of the Council – Maris Elleris (*Māris Elleris*), Janis Leimanis (*Jānis Leimanis*)

According to the Register of Enterprises of the Russian Federation’s decision No 2166027097476 of 11.03.2016 the limited company « Салдус » has been reorganised and added to the limited company « Деревобрабатывающий комбинат № 3 ».

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Management announcement

To Report of economic activity for the 3 month of 2016

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 3 month of 2016 are 268 685 EUR at the net turnover of 10 433 372 EUR, representing a loss per issued share 0.69 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.

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.

May 31, 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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Statement of Management Responsibility

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

The Management confirms that, in preparing this report for the period ending on 31 March 2016, 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.

May 31, 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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Profit or loss calculation

	31.03.2016	31.12.2015
	EUR	EUR
Net turnover	10 433 372	36 776 187
Production costs of the sold production	-10 466 038	-37 316 305
Gross profit	-32 666	-540 118
Selling costs	-360	-24 148
General administration costs	-135 994	-411 829
Other income from company's economic activity	99 398	216 971
Other expenditures from company's economic activity	-116 865	-344 584
Profit or loss from economic activity	-186 487	-1 103 708
Other interest income and the like income	9 265	23 075
Other interest payments and the like payments	-83 540	-399 214
Profit or loss before extraordinary items and taxes	-260 762	-1 479 847
Other taxes	-7 923	-20 485
Profit or (loss)	-268 685	-1 500 332
Profit/loss on share	-0.69	-3.88
/EUR per share		

The annex is an integral part of this financial statement

May 31, 2016

Board:

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Chancellor of the Board

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member of the Board

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Balance sheet**ASSETS**

	31.03.2016	31.12.2015
	EUR	EUR
LONG-TERM INVESTMENTS		
Intangible investments		
Concessions, patents, licences, trademarks and the like items	20 741	23 760
TOTAL	20 741	23 760
Fixed assets		
Land, premises and buildings	5 545 430	5 630 341
Equipment and machinery	10 634 459	10 513 206
Other fixed assets	55 429	59 338
Unfinished constructions	4 513 392	4 282 165
Advance payments for fixed assets	0	29 227
TOTAL	20 748 710	20 514 277
Biological assets	738 327	738 327
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	962 213	958 356
Deferred tax assets	108 974	108 974
TOTAL	2 088 876	2 085 019
TOTAL LONG-TERM INVESTMENTS	23 596 654	23 361 383
CURRENT ASSETS		
Stocks		
Raw materials, direct materials, auxiliary materials	2 355 797	1 664 079
Biological assets	524 588	524 588
Unfinished production	713 749	605 683
Finished production and goods for sale	1 553 001	2 112 554
Advance payments for goods	73 216	64 203
TOTAL	5 220 351	4 971 107
Noncurrent assets held for sale		
Fixed assets held for sale	306 288	306 288
Debtors		
Debts of buyers and customers	447 241	197 319
Debts of subsidiaries	3 912 511	3 210 498
Other debtors	202 695	42 430
Expenditures of the next periods	124 863	43 261
TOTAL	4 687 310	3 493 508
Money and its equivalents	76 201	4 925
TOTAL CURRENT ASSETS	10 290 150	8 775 828
TOTAL ASSETS	33 886 804	32 137 211

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May 31, 2016

Board:

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Chancellor of the Board

Jānis Mierkalns
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Balance sheet (continuation)

LIABILITIES	31.03.2016	31.12.2015
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	1 272 543	2 772 876
Retained earnings from the year of account	-268 685	-1 500 332
Total shareholders' equity	6 889 901	7 158 587
Accruals		
Accruals for holiday	233 873	213 657
TOTAL	233 873	213 657
Long-term liabilities		
Long-term loans from credit institutions	14 221 429	13 992 559
Other creditors	1 934 607	1 610 396
Long-term part of incomes from next periods	2 078 625	2 082 857
TOTAL	17 082 019	17 685 812
Short-term liabilities		
Short-term loans from credit institutions	2 453 742	2 456 871
Short-term part of financial lease	1 138 401	1 000 114
Debts to suppliers and contractors	4 193 542	2 629 812
Debts to subsidiaries	0	377 083
Advance payments received from buyers	169 957	115 682
Taxes payable	181 292	135 899
Other creditors	168 852	141 111
Incomes from the next periods short-term part	222 583	222 583
TOTAL	8 528 369	7 079 155
Total liabilities	26 763 030	24 764 967
Total shareholders' equity and liabilities	33 886 804	32 137 211

The annex is an integral part of this financial statement

May 31, 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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Cash flow statement

	2016 EUR	2015 EUR
I. Cash flow from basic activity		
Profit (+) or loss (-) before extraordinary items and taxes:	-260 762	-1 479 848
Corrections:		
wear and tear of fixed assets and intangible investments (+)	394 551	1 451 647
revaluation of long-term investments/biological assets	0	-57 744
revaluation of biological assets	0	198 812
Accruals (except accruals for doubtful debts)	20 216	-30 822
profit (-) or loss (+) from fluctuations of exchange rate	-9 172	11 249
Income from finansation recognition	-55 646	-189 275
Interest income	-9 265	-21 446
Interest expenditure	85 817	287 447
Profit or loss before the corrections of the impact of balance changes of current assets and short-term liabilities	165 739	170 020
Corrections:		
increase (+) or decrease (-) of debtors debt	-1 179 222	1 640 929
increase (+) or decrease (-) of the reserves of accruals	-249 244	1 382 339
increase (+) or decrease (-) of the remainder of debts payable to suppliers, contractors and other creditors	1 427 215	-82 693
Gross cash flow from basic activity	164 488	3 110 595
Expenditures to pay interest payments	-85 817	-286 951
Expenditures to pay property tax	-7 923	-20 485
Net cash flow from basic activity	70 748	2 803 159
II. Cash flow from investments		
Income from selling fixed assets and intangible investments	36 500	50 083
Acquisition of fixed assets and intangible investments	-52 870	-1 479 409
Expenditures for advance payments for fixed assets and unfinished	-239 595	-1 715 215
Loans issued	0	-50
Net cash flow from investments	-255 965	-3 144 591
III. Cash flow from financing activities		
Recieved loans	229 605	1 287 728
Recieved subsidies and grants	51 414	462 735
Expenditures for paying back loans	0	-640 669
Expenditures for the leased asset ransom	-20 660	-163 953
Changes of credit lines	-3 866	-603 540
Cash flow from financing activities	256 493	342 301
IV. Fluctuations of exchange rate	0	0
V. Net cash flow of the year of account increase (+), decrease (-)	71 276	839
VI. Money and its equivalents balance at the beginning of the year of account	4 925	4 086
VII. Money and its equivalents balance at the end of the year of account	76 201	4 925

Cash flow statement is prepared according to indirect method in accordance with rules of The Cabinet of Ministers no. 481.
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May 31, 2016

Board:

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Statement on the changes in own capital

	Share capital	Share premium	Reserves from revaluation of long-term investments	Other reserves	Previous years retained earnings	Retained profit/loss of the year of account	Toatal own capital
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
December 31, 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
Profit of the year of account	0	0	0	0	0	-1 500 332	-1 500 332
December 31, 2015	541 990	2 828	1 600 057	3 741 168	2 772 876	-1 500 332	7 158 587
Distribution of profit of the year 2015	0	0	0	0	-1 500 332	1 500 332	0
Profit of the year of account	0	0	0	0	0	-268 685	-268 685
March 31. 2016 year	541 990	2 828	1 600 057	3 741 168	1 272 543	-268 685	6 889 901

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May 31, 2016

Board:

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Annex to the financial statement

1. Corporative information

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. On 2 October 2015, the Joint Stock Company "Saldus mezrupnieciba" has changed its name to Joint Stock Company "PATA Saldus", according to the decisions of Annual General Meeting of shareholders on 20 July 2015.

The Company mainly engaged in logging and wood processing.

2. Important accounting principles

Basis of preparation

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

The financial statements of JSC „PATA Saldus” is 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 2016 through 31 March 2016.

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 reporting year the Company audits if there are no signs of the decrease in the value of assets. If there are such signs or if the Company has to carry out the annual audit of the decrease of the value of assets, the Company 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

All amounts in these financial statements are expressed in the Latvian national currency – euro (EUR). 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

	31.03.2016	31.12.2015
	EUR	EUR
1 RUB	0.0131	0.0124
1 USD	0.8831	0.9185

Intangible investment

The intangible assets include software licenses used in the company and other intangible assets.

Intangible assets are stated at cost, which is being amortized over the useful life using the straight-line method. When events or changes in circumstances indicate that the carrying value of intangible assets may not be recoverable, the value of respective intangible assets are reviewed for impairment. Losses from impairment is recognized if the carrying value of intangible assets exceeds its recoverable amount.

Company software licenses are stated at cost less accumulated amortization.

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Amortization is calculated for the whole period of useful using the straight-line method. Costs associated with maintenance of the software are included as expenses in the income statement.

Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and any impairment in value. Land is not depreciated. Assets acquired value below 142 euros are included in the income statement.

Depreciation is calculated starting with the following month after the asset is put into operation or engaged in commercial activity. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When tangible non-current assets are sold or disposed of, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in profit or loss.

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

Buildings, constructions 10-20 years

Machinery and equipment 2-15 years

Forestry machinery 3-5 years

Timber processing lines 3-15 years

Other fixed assets 2-10 years

Computing and data storage systems, software 2-5 years

The cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenses incurred after the assets have been put into operation, such as repair and maintenance and overhaul costs, are normally charged to the income statement in the period when incurred. In situations where it can be clearly demonstrated that the expenses have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, such expenses are capitalised as an additional cost of property, plant and equipment.

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

Construction in progress represents assets under construction and is stated at historical cost. This includes the cost of construction and other direct expenses. Construction in progress is not depreciated as long as the respective assets are not completed and put into operation.

In accordance with the accounting policies - land of forests are valued using the revaluation method. A plot shall be performed on a regular basis depending on changes in fair 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 Appraiser. In case of radical changes in the real estate market valuation may be ordered more frequently. Over the last assessment made Ltd. VGG group of experts calculating the market value on April 29, 2014.

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 2016 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 2016. 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

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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

Inventories

Unfinished products

Inventory 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

Inventory 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.

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 Company 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 Company will have to use its funds and when it is possible to plausibly enough estimate the amounts of these liabilities. If the Company anticipates that expenditures needed to make accruals will be fully or partly paid back, refund of these expenditures is acknowledged as a separate asset only when it is practically clear that these expenditures will be refunded. Expenditures related to accruals in the profit or loss calculation are shown, except for the sums which will be needed to reimburse expenditures.

Credits and loans

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

Property revaluation surplus

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

Deferred income

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

Lease

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property. Lease payments are apportioned between the finance charges

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

Rendering of services

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

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

Sale of goods

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

Interest

Interest is recognised according to savings method.

Dividends

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

Income from lease

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

Corporate income tax

Corporate income tax includes current and deferred taxes. Current corporate income tax is applied at the rate of 15% set in legislative acts of the Republic of Latvia on taxable income generated by the Company during the taxation period.

Deferred corporate income tax arising from temporary differences in the timing of the recognition of items in the tax returns and these financial statements is calculated using the liability method. The deferred corporate income tax asset and liability are determined on the basis of the tax rates that are expected to apply when the timing differences reverse. The principal temporary timing differences arise from differing rates of accounting and tax amortisation and depreciation on the Company's non-current assets, the treatment of temporary non-taxable provisions and reserves, as well as temporary difference in interest or securities in excess of set limits and tax losses carried forward for the subsequent five years. Asset of deferred corporate income tax is only reflected in the financial statements if sufficient evidence is acquired as to the planned recoverability of it.

Associated persons

Associated persons are Company's parent company's subsidiary companies and shareholders who can significantly influence the activity of the Company'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 Company is pretty grounded.

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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 Company'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 Company activities

The Company shows information through particular segments.

	Logging		Timber processing		Other		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Net turnover	1 086 739	3 157 348	8 702 663	31 092 939	643 970	2 525 900	10 433 372	36 776 187
Production costs of the sold production	-1 028 886	-2 861 521	-8 677 184	-31 327 067	-774 760	-3 127 717	-10 480 830	-37 316 305
Selling costs	0	-4 551	-360	-670	0	-18 927	-360	-24 148
General administration costs	-2 653	-18 869	-9 781	-24 988	-108 768	-367 972	-121 202	-411 829
Other income/expenditures from company's economic activity	34 597	33 741	-49 280	-178 288	-2 784	16 934	-17 467	-127 613
Profit or loss from economic activity	89 797	306 148	-33 942	-438 074	-242 342	-971 782	-186 487	-1 103 708
Other interest income/payments and the like income	-3 717	-11 563	-18 521	-81 485	-52 037	-283 091	-74 275	-376 139
Other taxes	-42 125	0	-2 016	-8 067	-5 907	-12 418	-7 923	-20 485
Income from segments activities	43 955	-150 496	-253 811	-127 102	295 936	277 598	0	0
Profit or (loss)	43 955	144 089	-308 290	-654 728	-4 350	-989 693	-268 685	-1 500 332
Segment assets	3 529 646	4 845 766	28 265 592	26 949 874	2 091 566	1 355 266	33 886 804	32 137 211
Segment liabilities	3 326 612	4 926 795	28 055 224	26 810 884	2 504 968	1 413 227	33 886 804	32 137 211

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

The management of the Company 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.

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Other

Income in this segment mainly arises from the provision of transport services and collected fees for the company's real estate and other management-related revenues.

4. Net turnover through geographical segments

Since the economic activity of the Company 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.

	2016	2015
	EUR	EUR
Income from sales, int. Al.	9 546 187	33 145 035
Latvia	9 546 187	33 145 035
Other countries	0	0
Income from rendering of services, int. Al.	831 539	3 441 940
Latvia	831 539	3 441 940
Financing of the EU structural funds	55 646	189 212
	10 433 372	36 776 187