

JOINT STOCK COMPANY "PATA SALDUS"

ANNUAL REPORT

for the 12 months period ended 31 December 2016

JOINT STOCK COMPANY "PATA SALDUS"
ANNUAL REPORT FOR THE YEAR 2016

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The Annual Report is prepared as a unitary document and includes the Report of the Management, the Financial Statements and the Independent Auditor's Report.

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INFORMATION ON THE COMPANY

Name of the company	PATA Saldus
Legal status of the company	Joint Stock Company
Number, place and date of registration	Commercial register No 40003020121 August 26,1991 ,Riga
Address	Kuldīgas iela 86C,Saldus novads Saldus,LV-3801 Latvia
Type of operations	Forestry, commercial timber preparation and related services ;production of board lumber,etc.
Members of the Board	Andris Krastiņš - Chairman of the board Jānis Mierkalns - member of the board Evija Bīriņa -member of the board (till September 6, 2016) Ilze Bukulde -member of the board(since 15 February 2016) Gatis Zommers - member of the board (since 21 November 2016)
Members of the Council	Uldis Mierkalns - Chairman of the Council Jānis Bertrāns-Deputy Chairman of the Council (since February 15,2016) Māris Ellers -member of the Council (till February 14,2016) Inga Mierkalna -member of the Council Atis Kalniņš -member of the Council (since February 15,2016) Ieva Sniedze - member of the Council (since February 15, 2016)
Subsidiary enterprise	
1. Name of the company	Pakuli Sports Premises (Pakuļu sporta bāze) (100%)
Legal status of the company	Limited Liability Company
NUMBER AND DATE OF REGISTRATION IN THE	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, 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 – December 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	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, 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	40103265702 December 22, 2009
Address	Mukusalas iela(Mūkusalas iela) 41B-8, Rīga (Rīga), 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, 2016
Parent company	
1. Name of the company	PATA (PATA) (65%)*
Legal status of the company	Limited Liability Company
NUMBER AND DATE OF REGISTRATION IN THE	40003448619, June 10, 1999
Address	Miera iela 2(Miera iela 2), Incukalns (Inčukalns), LV-1004
The main areas of activities of the company	Wholesale of wood, silviculture and other forestry activities.
Owner of the company	Uldis Mierkalns (Uldis Mierkalns) – 100%
Reporting year	January 1 – December 31, 2016
Financial year	1 January, 2016 - 31 December, 2016
Name and address of the Auditor	Zvēri Certified Auditor Svetlana Koļesņikova, Certificate No. 22 Pašņ Self-employed persons reg.No. 0058404 Liepē Liepājas iela 2-29A Rīga, Rīga, LV-1004 Latvi Latvija

Changes of company and its subsidiaries during the reporting period.

According to the Register of Enterprises of the Republic of Latvia decision Nr.6-12 / 5132/2 of 15.02.2016. JSC Saldus PATA has recorded the following changes in the Board

- 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 Republic of Latvia decision Nr.6-12 / 155093/1 from 06.09.2016. JSC Saldus PATA has recorded the following changes in the Board:

- Released member of the Board – Evija Birina (Evija Bīriņa)
- Change the subscribed share capital from EUR 541 990.40 to EUR 579916.40
- Change the paid-up share capital of EUR 541 990.40 to EUR 579916.40

According to the Register of Enterprises of the Republic of Latvia decision Nr.6-12 / 202705 of 21.11.2016 JSC Saldus PATA has recorded the following changes in the Board:

- Appointed Member of the Board: Gatis Zommers (Gatis Zommers)

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 «Деревообрабатывающий комбинат № 3».

REPORT OF THE MANAGEMENT

Type of operations

Principal activities of the Company are forestry and primary wood processing - lumber production. The company complies with FSC and all other environmental requirements. In order to comply with these requirements the Company takes appropriate monitoring and improvement actions on regular basis, however costs for these actions are relatively low with respect to overall production costs.

Performance of the Company during the financial year

JSC PATA Saldus profit from operating activities in 2016 was 773 784 EUR with a net turnover of 42,599,653 euros, which represents earnings per share issued of 1.87 EUR. The Company's financial statements have been prepared based on the information available to board, existing laws and regulations, that gives a true and fair view of assets, liabilities, financial position and profit or loss that is generated by the Company and consolidated group. It is in interest of the Company to take care of their employees' social protection and well-being, because only then the development of the Company can be sustainable.

Financial risk management

Main financial instruments of the Company are loans, finance and operating leases, cash and cash equivalents. The purpose of these financial instruments is to provide the Company with necessary financial depth. The Group has also other financial instruments, such as trade receivables and payables, that are generated through operational activities. The main financial risks arising from use of financial instruments are interest, credit and liquidity risks. In order to reduce financial risks, the Company performs planning of budget and cash flows, with various scenarios applied. Management performs monitoring and control of commercial activities and actual flow of finances for group companies on regular basis. An additional guarantee for proper risk evaluation are credit institutions, that assess credit risk of the company on regular basis by setting a customised The policy of financial risk management of the Company is described in Note 42 of this financial statement

Subsequent events

In the time period between the last day of the financial year and the date of signing the financial statements there have been no significant events that would significantly effect financial results for the year or the financial position of the Company.

Future prospects

In 2017 the company will continue to develop and expand environmentally friendly forestry business in accordance with the FSC forest management and wood flows certificate requirements.

Wood processing company has initiated a certification process of the Energy Management System (LVS EN ISO 50001: 2012), also until March 2018 it is planned to expand business by installing additional timber drying plants with recuperation, where for hearing renewable energy will be used.

The company will continue to work on employee satisfaction and loyalty-development, which will allow to rise work efficiency, increase productivity, promote customer satisfaction, thus leading to the Company's overall financial performance improvements.

Andris Krastiņš
Chairman of the board

Riga, 30 April 2017

JOINT STOCK COMPANY "PATA SALDUS"
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INCOME STATEMENT

	Notes	2016 EUR	2015 EUR
Revenue	(2)	42 599 653	36 257 981
Costs of goods sold or services provided	(3)	(41 631 333)	(37 334 598)
Gross profit or losses		968 320	(1 076 617)
Distribution expenses	(4)	(12 642)	(24 148)
Administrative expenses	(5)	(564 888)	(414 023)
Other operating income	(6)	828 363	736 698
Other operating expenses	(7)	(479 208)	(456 351)
Interest and similar income incl.	(8)	3 127	21 556
<i>a) from group companies</i>		<i>3 042</i>	<i>21 446</i>
<i>a) from other parties</i>		<i>85</i>	<i>110</i>
Interest and similar expenses incl.	(8)	(341 020)	(287 447)
<i>b) for other parties</i>		<i>(341 020)</i>	<i>(287 447)</i>
Profit or losses before corporate income tax		402 052	(1 500 332)
Corporate income tax for the financial year	(9)	0	0
Profit or losses after corporate income tax		402 052	(1 500 332)
Changes in deferred tax assets or liabilities	(9)	371 732	0
Profit or losses for the financial year		773 784	(1 500 332)
		1.87	-3.88

Notes on pages 11 to 30 are an integral part of these financial statements.

Andris Krastiņš
Chairman of the board

Jānis Mierkalns
board member
Ilze Bukulde
board member
Gatis Zommers
board member

Riga, 30 April 2017

JOINT STOCK COMPANY "PATA SALDUS"
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BALANCE SHEET

		31.12.2016.	31.12.2015.
		EUR	EUR
	Notes		
<u>ASSETS</u>			
Non-current assets			
Intangible assets			
Concessions, patents, licenses, trademarks and similar rights	(10)	19 125	23 760
Total intangible assets:		19 125	23 760
Fixed assets:			
Immovable properties			
a) land plots, buildings and engineering structures	(11)	6 587 990	5 630 341
Fauna and flora:			
b) biological assets	(11)	765 836	738 327
Technological equipment and machinery	(11)	13 058 594	10 513 206
Other fixed assets	(11)	55 817	59 338
Fixed assets under development and construction in progress	(11)	3 000	4 282 165
Advances for fixed assets	(11)	0	29 227
Total fixed assets:		20 471 237	21 252 604
Non-current financial investments:			
Investments in group companies	(12)	1 009 149	1 009 149
Receivables from group companies	(18)	988 518	958 356
Participation in capital of associates	(12)	8 540	8 540
Deferred tax assets	(9)	480 706	108 974
Total non-current financial investments:		2 486 913	2 085 019
Total non-current assets:		22 977 275	23 361 383
Current assets			
Inventories:			
Raw materials and consumables	(13)	1 830 391	1 664 079
Work in progress	(14)	1 824 568	605 683
Finished goods and goods for sale	(15)	1 276 054	2 112 554
Fauna and flora			
b) biological assets		635 755	524 588
Non-current investments held for sale	(16)	274 997	306 288
Advances for inventories		63 991	64 203
Total inventories:		5 905 756	5 277 395
Account receivable:			
Trade receivables	(17)	153 325	168 938
Receivables from group companies	(18)	3 782 696	3 210 498
Receivables from associates	(19)	184 482	28 381
Other receivables	(20)	249 897	42 430
Deferred expenses	(21)	165 165	43 261
Total receivables:		4 535 565	3 493 508
Cash and bank:	(22)	311	4 925
<u>Total assets</u>		33 418 907	32 137 211

Notes on pages 11 to 30 are an integral part of these financial statements.

JOINT STOCK COMPANY "PATA SALDUS"
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BALANCE SHEET

		31.12.2016.	31.12.2015.
		EUR	EUR
	Notes		
<u>EQUITY, PROVISIONS AND LIABILITIES</u>			
Equity			
Share capital	(23)	579 916	541 990
Share premium	(23)	2 828	2 828
Non-current investments revaluation reserve	(11)	1 570 057	1 600 057
Reserves:			
f) other reserves	(24)	3 741 168	3 741 168
Retained earnings or uncovered losses brought forward from previous years	(25)	1 234 618	2 772 876
Current year profit or losses	(25)	773 784	(1 500 332)
Total equity:		7 902 371	7 158 587
Provisions:			
Other provisions	(26)	0	213 657
Total provisions:		0	213 657
Liabilities:			
Non-current liabilities:			
Loans from banks	(27)	12 488 093	12 536 652
Other borrowings	(28)	3 285 957	3 066 303
Deferred income	(34)	1 911 689	2 082 857
Total non-current liabilities:		17 685 739	17 685 812
Current liabilities:			
Loans from banks	(27)	1 545 858	2 456 871
Other borrowings	(28)	1 202 928	1 000 114
Advances from customers	(29)	475	475
Trade payables	(30)	3 820 327	2 629 812
Payables to group companies	(31)	153 726	377 083
Taxes and state social insurance payments	(32)	289 355	135 899
Other creditors	(33)	179 763	140 636
Deferred income	(34)	222 583	222 583
Accrued liabilities	(35)	415 782	115 682
Total current liabilities:		7 830 797	7 079 155
Total liabilities:		25 516 536	24 764 967
<u>Total equity, provisions and liabilities</u>		<u>33 418 907</u>	<u>32 137 211</u>

Notes on pages 11 to 30 are an integral part of these financial statements.

Andris Krastiņš
Chairman of the board

Jānis Mierkalns
board member
Ilze Bukulde
board member
Gatis Zommers
board member

Riga, 30 April 2017

STATEMENT OF CHANGES IN EQUITY

	Notes	2016 EUR	2015 EUR
Share capital			
Opening balance		541 990	541 990
Increase/decrease in share capital		37 926	0
Closing balance		<u>579 916</u>	<u>541 990</u>
Stock (share) premium account			
Opening balance		2 828	2 828
Closing balance		<u>2 828</u>	<u>2 828</u>
Non-current investment revaluation reserve			
Opening balance		1 600 057	1 600 057
Increase/decrease of non-current investment revaluation reserve	(11)	(30 000)	0
Closing balance		<u>1 570 057</u>	<u>1 600 057</u>
Reserves			
Opening balance		3 741 168	3 741 168
Closing balance		<u>3 741 168</u>	<u>3 741 168</u>
Retained earnings			
Opening balance		1 272 544	2 772 876
Increase/decrease in retained earnings		735 858	(1 500 332)
Closing balance		<u>2 008 402</u>	<u>1 272 544</u>
Equity			
Opening balance		7 158 587	8 658 919
Closing balance		<u>7 902 371</u>	<u>7 158 587</u>

Notes on pages 11 to 30 are an integral part of these financial statements.

Andris Krastiņš
Chairman of the board

Jānis Mierkalns
board member
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board member

Riga, 30 April 2017

CASH FLOW STATEMENT

		2016	2015
		EUR	EUR
	Notes		
Cash flow from operating activities			
Profit or losses before corporate income tax		402 052	(1 500 332)
<u>Adjustments for:</u>			
depreciation and impairment of fixed assets	(11)	1 730 433	1 548 214
depreciation and impairment of intangible assets	(10)	14 364	13 579
provisions (except provisions for doubtful debts)		(213 657)	(30 822)
gain or losses from fluctuations of foreign currency rates		(17 156)	11 249
interest and similar revenue	(8)	(3 126)	(21 446)
impairment of non-current and current financial investments	(11)	0	0
interest and similar expenses	(12)	341 020	287 447
Profit or loss prior to changes in current assets and current liabilities		2 253 930	307 889
Increase or decrease of account receivable		(1 095 294)	1 640 928
Increase or decrease of inventory		(658 361)	1 413 261
Increase or decrease of account payables and other liabilities		1 445 852	(271 968)
Gross cash flow generated from operating activities		1 946 127	3 090 110
Interest payments		(339 360)	(286 951)
Net cash flow generated from operating activities		1 606 767	2 803 159
Cash flow from investing activities			
Acquisition of fixed and intangible assets		(579 091)	(3 194 624)
Proceeds from sale of fixed and intangible assets		41 500	50 083
Loans issued		(13 006)	(50)
Net cash flow generated from investing activities		(550 597)	(3 144 591)
Cash flow from financing activities			
Loans received		333 436	1 287 728
Subsidies, grants, gifts or donations received		51 415	462 735
Repayment of loans		(1 160 176)	(1 244 239)
Finance lease payments		(285 459)	(163 953)
Net cash flow generated from financing activities		(1 060 784)	342 271
Net foreign exchange gains/losses		0	0
Net cash flow in the financial year		(4 614)	839
Cash and cash equivalents at the beginning of the financial year	(22)	4 925	4 086
Cash and cash equivalents at the end of the financial year	(22)	311	4 925

Notes on pages 11 to 30 are an integral part of these financial statements.

Andris Krastiņš
Chairman of the board

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Riga, 30 April 2017

NOTES TO THE FINANCIAL STATEMENTS

(1) Summary of accounting policies

General principles

Financial report has been prepared in accordance with Latvian law "On Accounting" and law of annual financial statements and annual consolidated financial statements (the Law), as well as in accordance with Cabinet of Ministers rules 775 " rules of annual financial statements and consolidated annual financial statements law application."

The financial statements have been prepared according to the historical cost accounting principle. The income statement is prepared in accordance with the function of expense method. The cash flow statement has been prepared under indirect cash flow method. The financial statements provide a true and fair view of the Company's assets, liabilities, financial position and profit or loss.

Accounting policy ensures that the financial statement provides information, that: 1. is sufficient and complete enough to allow user of financial statement to draw sound conclusions about the Company. 2. is reliable in a way that:* revealed financial results and position of the Company is correct - not only legal form of the operations is revealed, but also their economical nature, are neutral in a way that the results are not subjectively biased and are precautionous;* Are complete in all essential aspects.

General accounting principles

Financial statement items are valued according to the following accounting principles:

- a) it is assumed that the Company will continue its activities;
- b) unless specified separately, the same valuation methods are used as in the previous year;
- c) valuation is made with sufficient precaution, meaning that:
 - profit is recognized only if earned before the end of financial year;
 - all known and foreseeable liabilities and losses occurred before the end of the financial year shall be considered, including when they were revealed during the period between the end of the financial year and the day of preparation of the financial statement;
 - all asset impairment losses and depreciation are considered, regardless of whether the financial year is closed with profit or loss.
- d) unless specified separately, revenues and expenses are recognized according to accruals method, that is, considering the moment of occurrence regardless of the day of payment or day when invoice/receipt was issued. Expenses are reconciled with the revenues of the financial year.
- e) Sections related to Asset and Equity, Provision and Liability items are evaluated and classified separately. Income and expenses are classified and disclosed separately except the gains or losses from sale of non-current assets and from similar transactions (e.g., the result of currency exchange rate fluctuation or the result of sale or purchase of foreign currency), which are offset.
- f) Transactions in the financial statement are represented according to their economic substance and matter rather than according to their legal form.

Changes in accounting policies and correction of fundamental errors

Due to adoption of the Law on the Annual financial Reports and Consolidated Annual financial Reports (the Law) in 2016, the Company has changed the accounting standards as mentioned below.

a) Evaluation and classification of investment property, biological assets and non-current assets held for sale

The Company uses its statutory right to deviate from legal requirements about Biological assets held for sale disclosure, recognition and evaluation according to IFRS standards.

b) Recognition of deferred tax assets or liabilities – derogations from the Law

Since 2016 entities are no longer required to evaluate and recognize the deferred tax assets or liabilities. In accordance with transition regulations previously recognized deferred tax assets or liabilities shall be written off at the beginning of the financial year to the retained earnings without correcting prior year balance sheet items.

Taking into consideration the fact, that if the Company does not recognize deferred tax assets or liabilities, its financial reports may not give clear and fair presentation of its financial position and operating results. Therefore, the Company is using a derogation clause of the Law which allows application of International Financial Reporting Standards (IFRS) for the deferred tax accounting. The accounting policy applied is specified in Note (9).

d) Evaluation of intangible assets

Due to enactment of the Law, goodwill and other intangible assets with an indefinite useful life shall be depreciated during their projected useful life, but not exceeding 10 years. The Company recognized previously mentioned assets at acquisition cost less impairment losses. The change of policy shall be applied retrospectively.

Considering that the Company has no goodwill and other intangible assets with an indefinite useful life, these changes of the Law does not affect the Company's financial statements.

e) Accounting of grants received

Due to enactment of the Law, grants received to cover the costs incurred in the financial year shall be recognized as income when grants are received and all conditions for acquiring of the grants are fulfilled. The Company has previously recognized revenues from the grants received when the Company acquired the right to receive such grants and all conditions for acquiring of the grant were fulfilled. The change of policy shall be applied retrospectively.

Considering that during 2015 and 2016 the Company received no grants with not matching periods of granting and actual receipt, these changes of the Law do not affect the financial reports of the Company.

e) Changes in classification of items and disclosure of information in the balance sheet, income statement, cash flow statement and statement of changes in equity

Due to enactment of the Law, the structural form of the balance sheet, income statement and cash flow statement has been changed. A new structural form of the statement of changes in equity has been also introduced. Moreover, to improve a clear and fair presentation, the Company performed reclassification of certain types of assets, liabilities, revenue and costs. Prior year comparatives were classified in the financial statements according to the principles of the financial year and are comparable. Reclassification does not affect the financial results.

Name of items reclassified	31.12.2015	31.12.2015	Amount
	Adjusted	Prior adjustments	
	Name of line item	Name of line item	EUR
Plant and Equipment, Animals and plants, biological assets	Plant and Equipment, Animals and plants, biological assets	Long - term investments, Biological assets	738 327
Inventories, Animals and plants, biological assets	Inventories, Animals and plants, biological assets	Inventories, Biological assets	524 588

g) Total effect of policy change, reclassification of items and correction of fundamental errors

Total effect from change of accounting policy, reclassification of balance sheet items and correction of fundamental errors is disclosed below.

Balance sheet items	Note	Effect as at 31.12.2015			
		Before corrections	Policy change effect	Reclassification/error correction	After corrections
		EUR	EUR	EUR	EUR
Current assets - Receivables - Trade receivables	17	197 319	0	(28 381)	168 938
Current assets - Receivables - Receivables from associated companies	19	0	0	28 381	28 381
Effect to total assets			0	0	197 319
Non - current liabilities - Loans from credit institutions	27	13 992 559	0	(1 455 907)	12 536 652
Non - current liabilities - Other creditors		1 610 396		(1 610 396)	0
Non - current liabilities - Other borrowings				3 066 303	3 066 303
Current liabilities - Advances from customers	29	0	475	0	475
Current liabilities - Other creditors	33	141 111	(475)		140 636
Effect to total liabilities			0	0	15 603 430
Income statement items		Effect on 2015			
		Before corrections	Policy change effect	Reclassification/ error correction	After corrections
		EUR	EUR	EUR	EUR
Revenue		36 776 187	0	(518 206)	36 257 981
Costs of goods sold or services provided		(37 316 305)	(18 293)	0	(37 334 598)
Distribution expenses		(24 148)	0	0	(24 148)
Administrative expenses		(411 829)	(2 194)	0	(414 023)
Other operating income		216 971	2	519 725	736 698
Other operating expenses		(344 584)	(74 219)	(37 548)	(456 351)
Other Interest and similar income		23 075	0	(1 519)	21 556
Interest and similar expenses		(399 214)	74 219	37 548	(287 447)
Profit or losses before corporate income tax		35 836 458	(20 485)	0	(1 500 332)
Other taxes		(20 485)	20 485	0	0
Effect to profit or loss for the financial year		35 815 973	0	0	(1 500 332)
Operating cash flow reclassifications for the year 2015					
		Before corrections	Policy change effect	Reclassification/ error correction	After corrections
		EUR	EUR	EUR	EUR
Profit or losses before corporate income tax		(1 479 847)	0	(20 485)	(1 500 332)
Adjustment for fixed asset impairment		1 451 647	0	96 567	1 548 214
Adjustment for Intangible assets impairment		0	0	13 579	13 579
Co - financing from ES projects		(189 275)	0	189 275	0
Increase or decrease of inventory balance		1 382 339	0	30 922	1 413 261
Increase or decrease for payables to suppliers, contractors and other creditors balance		(82 693)	0	(189 275)	(271 968)
Real estate tax paid		(20 485)	0	20 485	0
Revaluation of biological assets and a gain or loss on sale of them		141 068	0	(141 068)	0
Total		1 202 754	0	0	1 202 754

k) Disclosure of information in the notes to financial statement

Due to enactment of the Law, the scope of information disclosed in the notes to financial statement has been changed by defining different criteria depending on the size of a company. Based on the financial data for the two recent years, the Company is classified as a large entity. Financial statements reflect all information as defined by the Law, as well as additional information to provide the fair and clear presentation.

Except the above mentioned, accounting policies and valuation methods used by the Company are consistent to be the same as in the previous reporting year.

Foreign currency conversion in euro

This financial statement is prepared in euro (EUR), which is the functional currency of the Company and the official currency of the Republic of Latvia.

All transactions denominated in foreign currencies are converted into euro at the exchange rate set by the European Central Bank on the day of transaction. Monetary assets and liabilities denominated in foreign currencies are translated into euro in accordance with the official exchange rate set by European Central Bank for the last day of the financial year. The profit or loss resulting from the exchange rate fluctuations of the foreign currency are recognized in the income statements in the respective period on net amount.

	31.12.2016.	31.12.2015.
	EUR	EUR
1 USD	0.9488	0.9185
1 RUB	0.0156	0.0124

Income recognition and revenue

Revenue contains the total value of goods and services sold during the year excluding discounts and value added tax.

Income is recognized according to the following principles:

Sales of goods - after significant ownership risk and rewards have been passed to the buyer;

Rendering of services - under the percentage of completion method;

Income from fines and penalties - at the moment when payment is received;

Interest income - on an accrual basis;

Dividends - at the moment of acquiring legal rights to receive them.

Intangible investments and fixed assets

Intangible investments and fixed assets are initially recognized at the purchase cost. Purchase cost includes costs, directly related to the acquisition of intangible and fixed assets. In financial statements intangible and fixed assets are recognized at purchase cost or revalued amount less depreciation.

The difference arising from revaluation is recognized in equity under "Non-current investment revaluation reserve", however value reduction is written-off from value increase that was recognised in reserve during prior years. Surplus is included in income statement.

In case of disposal or liquidation of fixed assets, the reserves are written-off to the Income statement in full amount.

Depreciation is calculated on a straight-line basis applying following rates of depreciation set by the management, which are based on the estimated useful life of fixed assets:

	Depreciation % per annum
Intangible assets	2-5
Buildings	10-20
Technological equipment	2-15
Other machinery and equipment, transport vehicles	2-10

The Company capitalizes its fixed assets valued over EUR 142 with useful life exceeding 1 year. 100% Depreciation is applied after commissioning for improvements and other low costs items with the value less than EUR 142 .

If sufficient evidence is acquired that the future economic benefit associated with subsequent repair or reconstruction costs will flow to the Company, which exceeds the return set previously, costs are capitalized as additional costs to the fixed asset. By capitalizing the cost of replaced parts, the carrying amount of the part replaced is derecognized and charged to the income statement. All other repair and maintenance costs are charged to the income statement during the financial period in which they have incurred.

Net gains or losses from disposal of fixed assets is calculated as the difference between the carrying amount of fixed asset, write-off of related assets revaluation reserve (if any) and proceeds from sale, and recognized in the income statements during the period when disposal has incurred.

If it is possible to conclude due to any kind of occurrence or circumstances that residual value of fixed or intangible assets could exceed its recoverable value, value of fixed or intangible asset is decreased to its recoverable value. Recoverable value is calculated as the highest of fair value less costs to sell this asset or value in use.

Biological assets

The Company has decided, that forest stands should be considered as biological assets. Biological assets are accounted and evaluated in accordance with 41. SGS ""Lauksaimniecība"" requirements. Forest stands initially are recognised in their cost value, however after primary developments remaining part is recognised in its fair value. Fair value is determined by expressing net present value of biological asset as at 2016 by applying 8% discount rate. Average price for purchased felling site m3 in 2016 was calculated by taking into consideration cost of felling site m3 and costs associated to purchase it. Difference between carrying value and value set after revaluation is recognised as income or expenses depending whether value of asset is increased or decreased after revaluation. Result is disclosed in profit or loss statement under cost of goods sold. Biological assets that can't be developed within a year are disclosed in balance sheet under Fixed asset in separate position, that is called Biological assets. Biological assets that are predicted to be developed within a year are disclosed under Inventories in separate position, that is called Biological assets.

Capitalization of borrowing and other costs

The cost of asset under development is increased by borrowing costs and other direct costs during the period of time that is required to complete and prepare the asset for its intended use. The cost of asset is not increased by borrowing costs during period with no active development of asset.

Research and development costs

Research costs are recognized in the income statement when incurred. Development costs that relate to development of asset intended for sale or own use, are capitalized and recognized as intangible assets and amortized on a straight-line basis starting from the beginning of commercial production of the respective product over the period when the return on this asset is expected.

Investments in subsidiaries, associates and other entities

Participation in capital of subsidiaries, associates and other entities, is recognized at their cost less impairment losses.

Inventories

Inventories are recognized at the lower of purchase or production cost and net realizable value. Purchase costs consists of purchase value and overheads, which have been acquired, by delivering inventories at their current position and value. The costs of materials and other expenses, that are directly related to production of particular item, are included in production cost of inventories. Selling expenses are not included in cost. Balance value of inventories is calculated by applying the FIFO method. If net realizable value of inventories is lower than its costs, then the difference is recognized as provisions for the decrease of value.

Long - term investments held for sale

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 of use. For this to be 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. The company recognizes revenue for any subsequent increase in fair value less costs of asset sale, but not exceeding the accumulated impairment losses recognized in previous periods. Long-term investments are considered as assets held for sale, if they are prepared for immediate sale, the company's management has decided to sell these asset and have started active implementation of this decision. Fixed assets held for sale are valued at fair value, less costs of sale.

Account receivable

Trade receivables are recognized at invoiced amounts. After the initial recognition account receivables are measured at net amount less provisions for doubtful debts. Provisions for doubtful receivables are recognized when the management of the Company considers that it is probable that the total amount of receivables will not be collected in full.

Borrowings

Borrowings are recognized in the value of funds received, net of transaction costs incurred.

Subsequently, borrowings are stated at amortized costs using the actual interest method. Any difference between the original amount borrowed net of transaction costs and the redemption value is recognized gradually in the income statement during the loan use period or in accordance with accounting policy capitalized at the value of construction in progress.

Provisions, contingent liabilities and assets

Provisions are liabilities related to events from current or previous years and at the preparation of financial statements it is probable that an outflow of resources will be required to settle the obligations and their amounts can be reliably estimated. Provisions are valued at present value of expenditures expected to settle corresponding obligation.

Contingent liabilities are not recognized. These could be classified as liabilities only when a probability of resource outflow becomes sufficiently well-grounded. Similarly, contingent assets are not recognized until probability that the Company will gain economic benefits related to a transaction becomes virtually certain.

Accrued liabilities for unused annual leave

Amount of accumulated unused annual leave is determined by multiplying average salary day rate of employees for last six months of financial year with amount of accrued but unused annual leave days at the end of reporting year.

Grants and government assistance

Grants received for the acquisition of fixed assets or other non-current assets are recorded as deferred income and recognized as an income in income statement on straight-line basis over the useful life of acquired assets. Other grants and financial support to cover the expenses are recognized as an income in the period when the respective funding has been received and all material conditions in respect to the grants received has been fulfilled (when the grants are received).

Lease-to-buy (financial lease) - the Company is the lessee

In cases when leased assets are received with lease-to-buy (financial lease) conditions, under which all risks and rewards of ownership are transferred to the Company, they are recognized as Company's assets. Assets under the finance lease are recognized at the inception of lease at the lower of fair value of the leased assets or present value of minimum lease payments. Lease interest payments are included in income statement when incurred.

Lease without redemption rights (operating lease) - the Company is the lessee

In cases when assets are leased under conditions without redemption rights, lease payments and prepayment for lease are included in income statement when they arise. Lease classification whether it is financial or operating lease, is determined by substance and essence of the lease, rather than just legal form of lease. Lease is classified as a financial lease also if lease term covers majority of leased asset's useful life. This applies even if the ownership rights are not transferred to lessee at the end of the lease term or in case if the asset is so specific, that without a substantial modification it could not be used by other parties.

Corporate income tax

a) Corporate income tax for the financial year

Corporate income tax for the financial year is included in financial statements based on the management's calculations prepared in accordance with the tax legislation of the Republic of Latvia.

b) Deferred tax - IFRS only

Deferred tax is calculated according to the liability method with respect to all temporary differences between values of assets and liabilities in the financial statements and their values for tax calculation purpose (tax basis). However, where the deferred income tax arises from first recognition of assets and obligations resulted from transactions, which are not business combination, and at the moment of transaction do not affect profit or loss neither in the financial statements nor for taxation purposes, the deferred income tax is not recognized. Deferred tax liability is calculated based on tax rates that are expected to be applied when the temporary differences reverse. Temporary differences mainly arise from different fixed asset depreciation rates, impairment of assets as well as from tax losses carried forward. In cases, when total result of the deferred tax calculation is an asset, it is recognized in financial statements only if a future taxable profit will be available against which the temporary differences can be utilized.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash, the balances of the current bank account and other current liquid financial assets with maturities up to 90 days.

Group companies

Subsidiaries of the group or the parent company of the group, or other subsidiaries of the group, or subsidiaries of the subsidiaries of the group are regarded as the group companies.

Associates

An associated company is an entity within a significant influence of other company, which is provided by holding no less than 20% and no more than 50% of the voting rights.

Related parties

Related parties are considered Group companies, Board and Council members, their close family members and entities, in which the previously mentioned persons or companies have significant influence or control.

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(2) Revenue	2016 EUR	2015 EUR
a) By operating activities		
Income from forestry (NACE2 02.20)	3 889 143	3 125 033
Income from timber processing (NACE2 16.10)	37 076 476	30 886 008
Income from freight forwarding (NACE2 49.41)	1 239 140	1 494 137
Income from equipment, premises and territory management (NACE2 81.10)	394 894	752 803
	<u>42 599 653</u>	<u>36 257 981</u>
b) By location		
Income from sales of goods/services in Latvia	42 586 848	36 257 981
Income from sales of goods/services to Lithuania	3 860	0
Income from sales of goods/services to Estonia	8 945	0
	<u>42 599 653</u>	<u>36 257 981</u>
(3) Costs of goods sold or services provided	2016 EUR	2015 EUR
Purchase of costs of goods sold	1 294 432	1 271 928
Raw materials and consumables	1 688 077	1 113 276
Purchase of felling rights	28 517 849	25 429 052
Correction for unfinished production inventory	(56 707)	(127 488)
Subcontractors' services, outsourced works and services	1 236 826	1 473 284
Woodworking equipment maintenance costs	737 448	705 978
Woodworking and forest equipment maintenance costs	695 202	978 410
Fuel costs	757 765	761 967
Revaluation of biological assets	(138 675)	198 812
Utility expenses	1 508 330	1 354 035
Salary expenses	2 766 169	2 189 144
State mandatory social insurance contributions	646 135	527 207
Accrual for unused vacations	48 851	29 227
Depreciation of intangible and fixed assets	1 693 463	1 391 149
Real estate tax	19 108	18 293
Lease payment for wood processing, forestry machinery and equipment	185 332	
Other services received	31 728	20 324
	<u>41 631 333</u>	<u>37 334 598</u>

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(4) Distribution expenses	2016 EUR	2015 EUR
Advertising, market research and marketing costs	360	5 111
Freight forwarding expenses	12 282	18 503
Other selling expenses	0	534
	<u>12 642</u>	<u>24 148</u>
(5) Administrative expenses	2016 EUR	2015 EUR
Salary expenses	206 922	108 075
State mandatory social insurance contributions	48 813	26 256
Accrual for unused vacations	4 012	1 595
Office expenses	85 281	101 093
Bank services	56 126	63 245
Depreciation of intangible and fixed assets	57 606	60 498
Real estate tax	2 188	2 194
Financial statement audit expenses	7 300	5 040
Administration department vehicle expenses	29 280	0
Other administrative expenses	67 060	46 027
Project cost assurance costs for audit needs	300	0
	<u>564 588</u>	<u>414 023</u>
(6) Other operating income	2016 EUR	2015 EUR
Income from disposal of intangible and fixed assets	115 770	297 943
Net carrying value of intangible and fixed assets at the moment of disposal	(81 149)	(240 199)
Net gain from disposal of fixed and intangible assets	<u>34 621</u>	<u>57 744</u>
Income from the sale of long-term investments held for sales	30 000	
Rental income	113 887	145 025
Depreciation of deferred income (see also Note 44)	222 583	189 212
Co-financing from Rural Support Service and EU structural funds	28 490	14 204
Net gain from fluctuations of currency exchange rates	53 818	0
Other income	<u>344 964</u>	<u>330 513</u>
	<u>828 363</u>	<u>736 698</u>
(7) Other operating expenses	2016 EUR	2015 EUR
Provisions for doubtful and bad receivables	11 206	10 672
Rent on real estate	13 802	10 647
Net losses from sale of foreign currency	0	24 006
Net losses from currency exchange rate fluctuations	0	17 911
Security service costs	72 156	70 556
Utilities and maintenance costs	168 543	163 459
Insurance payments	33 647	29 897
Employee training expenses	23 343	4 450
Health Insurance	35 942	36 232
Penalties paid	39 119	32 302
Other expenses	<u>81 450</u>	<u>56 219</u>
	<u>479 208</u>	<u>456 351</u>

(8) Interest and similar income

a) from group companies	2016	2015
	EUR	EUR
Other interest income	3 042	21 446
	<u>3 042</u>	<u>21 446</u>
b) from other parties		
Other interest income	85	110
	<u>85</u>	<u>110</u>
Interest charge	341 020	287 447
	<u>341 020</u>	<u>287 447</u>
Total interest and similar expenses	<u>341 020</u>	<u>287 447</u>

(9) Corporate income tax

a) Components of corporate income tax	2016	2015
	EUR	EUR
Corporate income tax according to the tax return	0	0
Changes in deferred income tax	371 732	0
	<u>371 732</u>	<u>0</u>

The actual corporate tax expenses consisting of corporate income tax as per tax return and changes in deferred tax differ from the theoretically calculated tax amount for:

	2016	2015
	EUR	EUR
Profit or loss before corporate income tax	402 052	(1 500 332)
Theoretically calculated tax at 15% tax rate	<u>60 308</u>	<u>0</u>
Tax effects on:		
Non-deductible expenses for tax purposes	35 208	38 034
Non-taxable income	(52 850)	(7 696)
The impact of changes in other temporary differences	(414 398)	(30 338)
Total corporate income tax expenses	<u>(371 732)</u>	<u>0</u>

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b) Movement and components of deferred tax

Deferred tax liabilities (asset) at the beginning of the financial year	108 974	108 974
Deferred tax charged to the income statement	371 732	0
Deferred tax liabilities (asset) at the end of the financial year	480 706	108 974

The deferred company income tax has been calculated from the following temporary differences between value of assets and liabilities in the financial statements and their tax base (tax effect 15% from temporary differences):

	31.12.2016.	31.12.2015.
	EUR	EUR
Temporary difference on depreciation of fixed and intangible assets	(7 729 438)	(1 027 007)
Gross deferred tax liabilities	(1 159 416)	(1 027 007)
Temporary difference on accruals for annual leave	0	32 049
Temporary difference on provision for biological assets	(210 239)	(110 749)
Tax losses carried forward	1 850 360	1 479 197
Gross deferred tax assets	1 640 121	1 400 497
Net deferred tax liability (assets)	480 706	373 490

Net deferred tax asset movement

	31.12.2016	31.12.2015
Net deferred tax assets, liabilities that will be settled within 12 months	(163 584)	(46 655)
Net deferred tax assets, liabilities that will be settled in more than 12 months	535 316	155 629
Total net deferred tax assets	371 732	108 974

(10) Intangible assets

	Concessions, patents, licenses, trade marks and similar rights	Advances for intangible assets	Total
	EUR	EUR	EUR
Initial cost			
31.12.2015.	121 585	0	121 585
Purchase	9 730	0	9 730
Disposals	(74 178)	0	(74 178)
31.12.2016.	<u>57 137</u>	<u>0</u>	<u>57 137</u>
Depreciation			
31.12.2015.	(97 825)	0	(97 825)
Calculated	(14 365)	0	(14 365)
Disposals	74 178	0	74 178
31.12.2016.	<u>(38 012)</u>	<u>0</u>	<u>(38 012)</u>
Net carrying amount 31.12.2015.	23 760	0	23 760
Net carrying amount 31.12.2016.	19 125	0	19 125

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(11) Fixed assets

	Land plots, buildings and engineering structures	Biological Assets	Technological equipment and machinery	Other fixed assets	Fixed assets under development and construction in progress	Advances for fixed assets	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Initial cost							
31.12.2015.	7 979 626	738 327	18 640 211	243 363	4 282 165	29 227	31 912 919
Purchase/ increased value	1 332 177	27 509	3 895 513	29 768	63 891	0	5 348 858
Disposals	(3 682)		(287 053)	(14 488)	(4 343 056)	0	(4 648 279)
Reclassification between other asset items	0		0	0	0	(29 227)	(29 227)
31.12.2016.	9 308 121	765 836	22 248 671	258 643	3 000	0	32 584 271
Depreciation							
31.12.2015.	(2 349 285)		(8 127 005)	(184 025)	0	0	(10 660 315)
Calculated	(374 529)		(1 328 943)	(33 233)	0	0	(1 736 705)
Disposals	3 683		265 871	14 432	0	0	283 986
31.12.2016.	(370 846)		(9 190 077)	(202 826)	0	0	(12 113 034)
Net carrying amount 31.12.2015.	5 630 341	738 327	10 513 206	59 338	4 282 165	29 227	21 252 604
Net carrying amount 31.12.2016.	8 937 275	765 836	13 058 594	55 817	3 000	0	20 471 237

a) Capitalized interest

The fixed asset item "Land plots, buildings and engineering structures" includes interest capitalized in 2016 in the amount of EUR 18 478 (in 2015 - EUR 16 452).

b) Cadastral value of fixed assets

Cadastral value of lands and buildings owned by the Company as at December 31, 2016 is EUR 1 387 515.

The changes of fixed asset revaluation reserve in the financial year by fixed assets items are as follows:

	Changes in the financial year				Revaluation reserves 31.12.2016
	Revaluation reserves 31.12.2015	Revaluation of fixed assets	Depreciation and write-off of revaluation reserves	Deferred tax changes	
	EUR	EUR	EUR	EUR	
Real estate					
a) land plots, buildings and engineering structures	1 370 057	0	0	0	1 370 057
Long-term investments held for sale	230 000	0	(30 000)	0	200 000
Other fixed assets and inventory	0	0	0	0	0
TOTAL	1 600 057	0	(30 000)	0	1 570 057

In case if the revaluation had not been made, the value of the land plot would be as follows:

	31.12.2016. EUR	31.12.2015. EUR
Cost	1 706 995	1 689 830
Accumulated depreciation	0	0
Net carrying amount	1 706 995	1 689 830

Pursuant to Section 6 Part 5 of the Corporate Income Tax Law, when defining the taxable corporate income, the results of revaluation of balance sheet items and off-balance sheet items shall not be taken into account, except revaluation of assets due to change of foreign currency rates.

(12) Participation in the capital

a) movement of participation

	Participation in the equity of group companies EUR	Non-current	Current		Total EUR
		Participation in the equity of associates	Other securities and investments	Own stock and shares	
		EUR	EUR	EUR	
Initial cost					
31.12.2015.	1 009 149	8 540	0	0	1 017 689
31.12.2016.	1 009 149	8 540	0	0	1 017 689
Net carrying amount 31.12.2015.	1 009 149	8 540	0	0	1 017 689
Net carrying amount 31.12.2016.	1 009 149	8 540	0	0	1 017 689

b) participation in the equity of subsidiaries

Name	Address	Participating interest		Equity		Profit	
		31.12.2015.	31.12.2016.	31.12.2015.	31.12.2016.	2015	2016
		%	%	EUR	EUR	EUR	EUR
SIA Pakuļu sporta bāze	"Mežvidi", Novadnieku pag., Saldus novads, LV-	100	100	-200 029	-200 346	-95	-317
ООО Салдус	180005, Россия, г. Псков, Зональное шоссе, д. 44-А	100	0	-103 554	0	-26 170	0
ООО Деревообра батываючи й комбинат	180005, Россия, г. Псков, Зональное шоссе, д. 44-А	100	100	-558 711	-716 471	-164 691	115 372

c) participation in the equity of associates

Name	Address	Participating interest		Equity		Profit	
		31.12.2015.	31.12.2016.	31.12.2015.	31.12.2016.	2015	2016
		%	%	EUR	EUR	EUR	EUR
SIA Saldus enerģija	Mūkusalas iela 41B-8,	20	20	905 411	319 431		-508 214

(13) Raw materials and consumables

	31.12.2016. EUR	31.12.2015. EUR
Materials, spare parts, Inventories:	121 836	88 261
Raw materials (logs in forest and sawmill)	1 708 555	1 575 818
	1 830 391	1 664 079

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(14) Work in progress	31.12.2016. EUR	31.12.2015. EUR
Forestry work in progress	81 585	50 483
Sawn timber in production	1 742 983	555 200
	<u>1 824 568</u>	<u>605 683</u>
(15) Finished goods and goods for sale	31.12.2016. EUR	31.12.2015. EUR
Finished goods saw timber	1 276 054	2 112 554
	<u>1 276 054</u>	<u>2 112 554</u>
(16) Non-current assets held for sale (IFRS only)	31.12.2016. EUR	31.12.2015. EUR
Sawmill machinery and tools	274 997	306 288
	<u>274 997</u>	<u>306 288</u>
(17) Trade receivables	EUR	EUR
Book value of trade receivables	199 452	207 772
(Provisions for bad and doubtful debts)	(46 127)	(38 834)
	<u>153 325</u>	<u>168 938</u>
Provisions for bad and doubtful debts have been made in 100 % of their book value.		
(18) Receivables from group companies	31.12.2016. EUR	31.12.2015. EUR
Non-current		
Loans to SIA Pakuļu sporta bāze	306 917	306 267
Loans to OOO Салдус*	0	13 821
Loans to OOO Деревообрабатывающий комбинат № 3	681 601	638 268
	<u>988 518</u>	<u>958 356</u>
Current		
Receivables from the group companies for the goods delivered and services provided	4 022 697	3 450 499
Accrual for doubtful debts	(240 001)	(240 001)
	<u>3 782 696</u>	<u>3 210 498</u>

In the reporting year JSC PATA saldus has lent money to SIA Pakuļu Sporta bāze in amount of EUR 650. OOO Деревообрабатывающий комбинат № 3-850 000 RUB (12 355.71 EUR). Loan interest - 1% per annum, loan term is December 31, 2018. In 2016 OOO Салдус loan liabilities in amount of EUR 31 821.12 were overtook by OOO Деревообрабатывающий комбинат. For all interest bearing loans to group companies, 1% interest rate is applied, the rest of loans to group companies are interest free loans. Loan term for long -term loans is set until year 2018.

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(19) Receivables from associates	31.12.2016. EUR	31.12.2015. EUR
Debts to associated companies for the goods delivered and services provided	184 482	28 381
	<u>184 482</u>	<u>28 381</u>
(20) Other receivables	31.12.2016. EUR	31.12.2015. EUR
VAT overpaid	164 767	38 193
Paid guarantee fees	57 037	4 237
Advances paid for services	27 620	0
Input VAT accepted	0	0
Payments to personnel	423	0
Other receivables	50	0
	<u>249 897</u>	<u>42 430</u>
(21) Deferred expenses	31.12.2016. EUR	31.12.2015. EUR
Insurance payments	12 004	18 453
Prepayment for office rent	417	304
Subscription fees	5 615	5 624
1st lease installment	42 654	0
Other expenses	104 475	18 880
	<u>165 165</u>	<u>43 261</u>
(22) Cash and bank	31.12.2016. EUR	31.12.2015. EUR
Cash at bank in checking accounts	311	4 925
	<u>311</u>	<u>4 925</u>
(23) Share capital		

The company is a joint stock company. The share capital of the Company is EUR 579 916. Par value per share is EUR 1.40 (one euro 40 euro cents). 387136 shares are public bearer shares and are dematerialized, however 27 090 of shares are staff registered staff shares.

During the financial year, the share capital was increased by EUR 37 926 by reducing retained earnings.

The parent of the Company is SIA PATA with the legal address Miera iela 2, Inčukalns, Inčukalna pagasts, Inčukalna novads LV-2141. Consolidated annual report of the Group is prepared by SIA PATA. A copy of the consolidated annual report is available at the Register of Enterprises of the Republic of Latvia.

(24) Reserves

According to the Latvian statutory requirements the Company created reserves in the previous periods. This legal requirement is no more effective in the financial year. These reserves are expected to be reclassified to retained earnings.

(25) Distribution of the Company's profit

The Company's Board proposes to divert the retained earnings for development of the Company.

(26) Provisions

	Other provisions	Total
	EUR	EUR
31.12.2014.	244 479	244 479
Increase	0	0
Decrease	(30 822)	(30 822)
31.12.2015.	213 657	213 657
Increase	61 356	61 356
Decrease	(275 013)	(275 013)
31.12.2016.	0	0

Other provisions in 2016 - vacation reserves are reclassified and transferred to balance sheet position: Current liabilities - Accrued liabilities (45)

(27) Loans from banks

	31.12.2016.	31.12.2015.
	EUR	EUR
Non-current		
Nordea Bank AB Latv. Fil .(2013-104-OD)	7 826 256	7 828 990
Nordea Bank AB Latv. Fil .(2010-139-OD)	806 646	0
Nordea bank AB Latv. Fil (2011-150-OD)	686 702	688 911
Nordea Bank AB Latv. Fil (2012-85-A)	346 017	432 108
Nordea Bank AB Latv. Fil (2012-84-A)	1 169 587	1 439 959
Nordea Bank AB Latv. Fil (2006/202/A)	180 406	238 916
Nordea Bank AB Latv. Fil (2006-147-A)	0	124 447
Nordea Bank AB Latv. Fil (2014-169-A)	1 472 479	1 783 321
	12 488 093	12 536 652
Current		
Nordea Bank AB Latv. Fil .(2010-139-OD)	504 000	1 580 671
Nordea bank AB Latv. Fil (2011-150-OD)	0	125 000
Nordea Bank AB Latv. Fil (2012-85-A)	86 504	45 735
Nordea Bank AB Latv. Fil (2012-84-A)	292 397	278 342
Nordea Bank AB Latv. Fil (2006/202/A)	58 510	61 000
Nordea Bank AB Latv. Fil (2006-147-A)	124 447	31 750
Nordea Bank AB Latv. Fil (2014-169-A)	480 000	334 373
	1 545 858	2 456 871

As a collateral in case of claims that may arise from the signed loan agreement, the Company has pledged all its assets as an aggregate of things at the moment of pledge, as well as future components of this aggregate: all financial instruments and assets which are currently owned by the Company or will be owned in future, its fixed assets and intangible assets, claims, investments and stocks, as well as all real estate owned by the Company. Loan repayment periods up to 31.12.2021.

(28) Other borrowings

	31.12.2016.	31.12.2015.
	EUR	EUR
Non-current		
Other loans (from private individuals)	1 246 667	1 246 667
JSC Attīstības finanšu institūcija Altum*	1 588 739	1 455 907
Liabilities according to the finance lease agreements	450 551	363 729
	3 285 957	3 066 303
Current		
Liabilities according to the factoring agreements	998 393	862 120
Liabilities according to the finance lease agreements	204 535	137 994
	1 202 928	1 000 114

Finance lease liabilities

As disclosed in Note 28, the Company has acquired fixed assets under finance lease. Total finance lease liabilities as at December 31, 2016 is EUR 655 086.

The future minimum finance lease payments are:		31.12.2016.	31.12.2015.
		EUR	EUR
Payable within 1 year		218 425	148 380
Payable from 2 to 5 years		467 625	378 072
Finance lease gross liabilities		<u>686 050</u>	<u>526 452</u>
Future finance costs		(30 964)	(24 729)
Present value of finance lease liabilities		<u><u>655 086</u></u>	<u><u>501 723</u></u>
(29) Advances from customers		31.12.2016.	31.12.2015.
		EUR	EUR
Current			
Advances of sawn timber		<u>475</u>	<u>475</u>
		<u><u>475</u></u>	<u><u>475</u></u>
(30) Trade payables		31.12.2016.	31.12.2015.
		EUR	EUR
Current			
Payables for supplies of goods and services supplied		<u>3 820 327</u>	<u>2 629 812</u>
		<u><u>3 820 327</u></u>	<u><u>2 629 812</u></u>
(31) Payables to group companies		31.12.2016.	31.12.2015.
		EUR	EUR
Current			
Payables for supplies of goods and services supplied		<u>153 726</u>	<u>377 083</u>
		<u><u>153 726</u></u>	<u><u>377 083</u></u>
(32) Taxes and social insurance payments		31.12.2016.	31.12.2015.
		EUR	EUR
Current			
Personal income tax		118 036	69 850
State mandatory social insurance contributions		171 177	65 838
Natural resources tax		142	142
Business risk state duty		0	69
		<u>289 355</u>	<u>135 899</u>
(33) Other creditors		31.12.2016.	31.12.2015.
Current			
Salaries		175 917	136 290
Other liabilities		<u>3 846</u>	<u>4 346</u>
		<u><u>179 763</u></u>	<u><u>140 636</u></u>

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(34) Deferred income	31.12.2016.	31.12.2015.
	EUR	EUR
Non-current		
EU co-financing for the acquisition of assets - non-current portion	1 911 689	2 082 857
	<u>0</u>	<u>0</u>
	<u>1 911 689</u>	<u>2 082 857</u>
Current		
EU co-financing for the acquisition of assets - current portion	222 583	222 583
	<u>222 583</u>	<u>222 583</u>

Deferred income includes: 1. V/A Latvian Investment and Development Agency program funding according to project No. APV/2.1.2.4.0/13/03/030 with an agreement No.L-APV-14-0114, that was received in 2015 in amount of EUR 462 735 and is intended for acquisition and development of fixed assets; 2. V/A Latvian Investment and Development Agency program funding according to project No.APV/2.1.2.4.0/09/01/034 with an agreement No.L-APV-10-0015, that was received in time period between 2010 and 2013 in amount of EUR 3 339 616, and was intended for acquisition and development of fixed assets. Deferred income from LIDA funding are recognized as income in the income statement of purchased assets during the useful life of 10-15 years, respectively.

For 5 years since receipt of funding the Company has an obligation to comply with co-funding agreement terms about use of the acquired asset in project place and intended project aims, by avoiding asset alienation and use of third parties, by insuring the asset and by complying with other obligations.

(35) Accrued liabilities	31.12.2016.	31.12.2015.
	EUR	EUR
Accrued trade payables	140 769	115 682
Accrued unused annual leave expenses	<u>275 013</u>	<u>0</u>
	<u>415 782</u>	<u>115 682</u>

(36) Fees paid to auditors	2016	2015
	EUR	EUR
For the audit of financial statements	<u>7 300</u>	<u>5 040</u>
	<u>7 300</u>	<u>5 040</u>

(37) Average number of employees	2016	2015
Members of the Board	1	1
Members of the Council	3	3
Other employees	6	6
Average number of employees during the financial year	<u>194</u>	<u>182</u>
	<u>203</u>	<u>191</u>

(38) Remuneration to personnel	2016	2015
	EUR	EUR
Remuneration for work	3 025 954	2 327 501
State mandatory social insurance contributions	645 298	553 463
Business risk state duty	<u>837</u>	<u>823</u>
	<u>3 672 089</u>	<u>2 881 787</u>

(39) Remuneration to the management	2016	2015
	EUR	EUR
Remuneration for Chairman of the Board	52 855	21 826
State mandatory social insurance contributions for Chairman of the Board	<u>12 469</u>	<u>5 153</u>
	<u>65 324</u>	<u>26 979</u>

(40) Transactions with related parties

The main shareholder of the Company, who owns 65 % of shares of the Company, is Pata SIA (Latvia), reg.No.40003448619. The ultimate parent company is Pata SIA (Latvia)

In 2016, the Company had a transactions with the following group companies that are directly or indirectly subsidiaries of Pata SIA. The Company had also transactions with companies owned by its subsidiaries and with related entity Saldus Enerģija SIA (Latvia), that is not part of the Group. During the financial year the Company has not entered into transactions with the Management Board and Council members, with the exception of salaries paid for the job.

a) claims and liabilities

	31.12.2016.		31.12.2015.	
	Receivables EUR	Payables EUR	Receivables EUR	Payables EUR
Group companies				
Parent company	3 388 544	153 726	2 843 034	377 083
Subsidiaries	1 382 670	0	1 325 820	0
Sister companies	93 453	1 641	65 260	3 597
	<u>4 864 667</u>	<u>155 367</u>	<u>4 234 114</u>	<u>380 680</u>
Other related parties				
Associated companies	184 482		28 381	0
Directors and officers		588 333		588 333
	<u>184 482</u>	<u>588 333</u>	<u>28 381</u>	<u>588 333</u>
	<u>5 049 148</u>	<u>743 700</u>	<u>4 262 495</u>	<u>969 013</u>

b) transactions

	Sales to related parties		Purchases from related parties	
	2016 EUR	2015 EUR	2016 EUR	2015 EUR
Group companies				
Goods for sale	39 856 909	32 872 426	7 974 016	9 972 085
	<u>39 856 909</u>	<u>32 872 426</u>	<u>7 974 016</u>	<u>9 972 085</u>
Other related parties				
Goods for sale	1 111 790	1 189 621	530 321	671 580
	<u>1 111 790</u>	<u>1 189 621</u>	<u>530 321</u>	<u>671 580</u>
	<u>40 968 699</u>	<u>34 062 046</u>	<u>8 504 337</u>	<u>10 643 665</u>

(41) Financial commitments

- a) **Capital commitments**
b) **Operating lease commitments**

The Company uses forestry industrial equipment, as well as cars for administration needs that have been received under operating lease agreements. Lease expenses recognized in financial statement are EUR 44 306

The Company has the following non-cancellable lease liabilities:

	31.12.2016. EUR	31.12.2015. EUR
Payable within 1 year	151 480	0
Payable from 2 to 5 years	637 536	0
	<u>789 017</u>	<u>0</u>

(42) Financial risk management

Financial risks related to the financial instruments of the Company are mainly the exchange risk, the interest rate risk, the liquidity risk and the credit risk. The Management of the Company seeks to minimize potential adverse effects of the financial risks on the Company's financial position. The Company does not use derivative financial instruments to hedge certain risk exposures.

Market risk - Interest rate risks

The Company is subject to the interest rate risk, mainly with respect to its variable interest rate borrowings. The management of the Company considers a possibility to apply risk hedging instruments in order to minimize the effect of variable interest rates / to switch over to a fixed interest rates.

Credit risk

The Company is subject to the credit risk with respect to the trade receivables, issued short-term loans, cash and cash equivalents. The Company manages its credit risk by constantly reviewing the repayment history of the client debts and stating the credit conditions for each client separately. The Company also is constantly monitoring the balances of trade receivables to decrease the risk of non-recoverability of debts.

Liquidity risk

The Company manages its liquidity risk, maintaining the appropriate amount of cash and cash equivalents (and also by using the bank credit line facilities). See also Note 43 in respect of the use of going concern assumption.

(43) Use of going concern assumption

The Company has finished the financial year, which was closed on 31 December 2016, with profit of EUR 773 784. As of this date, the Company's current assets exceeded current liabilities by EUR 2 610 835, and total assets exceeded total liabilities by EUR 7 902 371.

Financial results of 2016 are in accordance with going concern assumption, as well as a going concern is dependent of financial results in next periods.

(44) Subsequent events

Since the last date of the financial year until the date of signing of financial statements, there haven't been any subsequent events, which would have a significant effect on the financial position of the Company as at 31 December 2016.

Andris Krastiņš
Chairman of the board

Jānis Mierkalns
board member
Ilze Bukulde
board member
Gatis Zommers
board member

Riga, 30 April 2017

The annual report has been approved by the general meeting of members _____ 2017
