

JOINT-STOCK COMPANY „SALDUS MEŽRŪPNIECĪBA” AND ITS SUBSIDIARY COMPANIES

(SINGLE REGISTRATION NUMBER 40003020121)

ANNUAL REPORT FOR THE YEAR 2014

DRAWN-UP IN COMPLIANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

AND INDEPENDENT AUDITORS' STATEMENT

Saldus, 2015

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Information about the Company

Name of the Company	Saldus Timber Wood Industry (Saldus mežrūpniecība)
Legal status of the Company	Joint Stock Company
Registration number, place, and date	40003020124 August 26, 1991, Riga
Address	Kuldīgas iela 86C, Saldus, Saldus rajons, LV 3801
The main areas of activities of the Company	Forestry, commercial timber preparation and related services; production of board lumber, etc.
Members of the Board: name, surname, position	Janis Bertrāns (<i>Jānis Bertrāns</i>) – Chancellor of the Board Janis Mierkalns (<i>Jānis Mierkalns</i>) – member of the Board Gatis Zommers (<i>Gatis Zommers</i>) – member of the Board
Members of the Council: name, surname, position	Uldis Mierkalns (<i>Uldis Mierkalns</i>) – Chairman of the Council Lolita Burkovska (<i>Lolita Burkovska</i>) – Deputy Chairman of the Board Maris Elleris (<i>Māris Elleris</i>) – member of the Council Janis Leimanis (<i>Jānis Leimanis</i>) – member of the Council Martins Knipsis (<i>Mārtiņš Knipšis</i>) – member of the Council
Subsidiary enterprise	
1. Name of the company	<i>Pukuli Sports Premises (Pakuļu sporta bāze) (100%)</i>
Legal status of the company	Limited Liability Company
NUMBER AND DATE OF REGISTRATION IN THE COMMERCIAL REGISTER	48503009010 November 21, 2002
Address	“Mežvidi”, Novadnieku pag. Saldus rajons LV 3801
The main areas of activities of the company	Hunting and related services. Organisation of training and competitive shooting using hunting weapons.
Owner of the company	Saldus Timber Wood Industry(Saldus mežrūpniecība), JSC – 100%
Reporting year	January 1 – December 31, 2014
2. Name of the company	Woodworking Centre No.3 (<i>Деревообрабатывающий комбинат № 3</i>)
Legal status of the company	(100%) Limited Liability Company
Registration number, date, place	(ООО - Общество с ограниченной ответственностью) 1066027046337 October 9, 2006
Address	Russia: 180005, Россия, г. Псков, Зональное шоссе, д. 44-А
The main areas of activities of the company	Woodworking, production of board lumber
Owner of the company	Saldus Timber Wood Industry(Saldus mežrūpniecība), JSC – 100%
Reporting year	January 1 – December 31, 2014
3. Name of the company	Saldus (<i>Салдус</i>) (100%)
Legal status of the company	Limited Liability Company
Registration number, date, place	(ООО - Общество с ограниченной ответственностью) 1056000426371 21. December 2005
Address	Russia: 180005, Россия, г. Псков, Зональное шоссе, д. 44-А
The main areas of activities of the company	Purchase of lumber
Owner of the company	Saldus Timber Wood Industry (Saldus mežrūpniecība), JSC – 100%
Reporting year	January 1 – December 31, 2014
Name and address of the Auditor	(Translated from Latvian) Svetlana Koļesņikova Sworn Auditor (Certificate of Latvian Sworn Auditor No.22)

Management announcement

To Consolidated report of economic activity for 2014

Business description in the framework of report period

The core businesses of the commercial company are logging and primary wood processing – lumber production.

In its economic activities, company complies with FSC and environmental protection requirements. For the compliance with these requirements, company takes corresponding monitoring and improvement measures on regular basis, but the share of these costs in production cost is not significant.

The consolidated loss of the holding JSC „Saldus mežrūpniecība” of year 2014 from economic activities loss is 2606 EUR, whereby Net turnover is 51 961 462, which comprise loss per emitted share 0.01 EUR.

The consolidated companies financial report is prepared on the base of information that is at share company board's disposal and in compliance with requirements of effective normative acts, it provides true and clear picture on assets, liabilities, financial position and profit or losses of the share company and of its consolidation group. There is true information included in the announcement.

Forecasts for financial indicators and plans for economic activities in 2015

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

Business and financial risk management policy

In order to increase competitiveness of the company in this economic situation, the production volumes are being increased by more rational use of company resources, by organization of long-term cooperation with providers of resources and by searching for new markets and analyzing client's solvency. The increase of production volumes is being based on the existing, already concluded realization agreements and already signed letters of intent.

The interests of the commercial company are the care for social protection and welfare of its employees, because only thus the development of society can be sustainable.

In order to reduce financial risks, commercial company carries out planning of budget and cash flow, where different scenarios for development are foreseen. The management carries out monitoring and control of economical activities and actual finance flow on regular basis in the companies of the holding. Credit institutions that carry out assessing of financial risks of the holding on regular basis, when they are determining credit rating of the holding, can be regarded as additional guarantors of the assessing of risks.

April 30, 2015

Jānis Bertrāns
Chairman of board

Janis Mierkalns
Member of board

Gatis Zommers
Member of board

Statement of Management Responsibility

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

The Management confirms that, in preparing this report for the period ending on 31 December 2014, proper accounting methods were used, their application was consistent, reasonable and prudent decisions were taken. The Management confirms that the relevant International Accounting Standards have been observed and the financial statements have been prepared in accordance with the principle of continuation. The Management is responsible for keeping proper accounting records, the company's resources conservation as well as fraud prevention and prevention of other irregularities.

Consolidated income statement

	Note	31.12.2014 EUR	31.12.2013 EUR
Net turnover	4	51 961 462	43 986 895
		-49 725	
Production costs of the sold production	5	783	-43 760 990
Gross profit		2 235 679	225 905
Selling costs	6	-91 514	-58 864
General administration costs	7	-415 058	-397 447
Other income from company's economic activity	8	216 081	503 746
Other expenditures from company's economic activity	8	-844 091	-571 163
Profit or loss from economic activity		1 101 097	-297 823
Other interest income and the like income	10	13 682	153 491
Write-off of long-term financial investments		-293 172	0
Other interest payments and the like payments	10	-570 847	-699 556
Profit or loss before extraordinary items and taxes		250 760	-843 888
Company's deferred income tax	11	-232 275	603 211
Other taxes	12	-21 091	-20 144
Profit or (loss)		-2 606	-260 821
 Profit/loss on share		 -0.01	 -0.67
lats per share/EUR per share			
 Profit or loss		 -2 606	 -260 821
Other comprehensive income for the period		76 465	77 434
Total comprehensive income for the period		73 859	-183 387

The annex from 11 to 30 page is an integral part of this financial statement

Board :

Jānis Bertrāns
Chairman of board

Janis Mierkalns
Member of board

Gatis Zommers
Member of board

Consolidated balance sheet

ASSETS

	Note	31.12.2014 EUR	31.12.2013 EUR
LONG-TERM INVESTMENTS			
Intangible investments			
Concessions, patents, licences, trademarks and the like items	13	36 701	4 155
Goodwill		0	392 035
TOTAL		36 701	396 190
Fixed assets			
Land, premises and buildings		6 407 475	6 712 746
Equipment and machinery		9 765 305	11 615 493
Other fixed assets		77 498	80 379
Unfinished constructions		2 887 489	154 423
TOTAL	14	19 137 767	12 193 991
Biological assets			
Long-term financial investments		906 217	719 301
Investment in associated companies		8 540	8 540
Deferred tax assets	11	108 974	341 249
TOTAL		117 514	349 789
TOTAL LONG-TERM INVESTMENTS		20 198 199	20 240 942
CURRENT ASSETS			
Stocks			
Raw materials, direct materials, auxiliary materials		2 823 030	2 241 821
Biological assets		555 511	493 174
Unfinished production		1 678 795	631 039
Finished production and goods for sale		1 400 781	1 091 503
Advance payments for goods		108 535	24 407
TOATL	15	6 566 652	4 481 944
Noncurrent assets held for sale			
Fixed assets held for sale		306 288	76 289
Debtors			
Debts of buyers and customers	16	4 640 586	3 964 905
Other debtors	17	75 016	40 727
Expenditures of the next periods	18	49 113	299 927
TOTAL		4 764 715	4 305 559
Money and its equivalents			
	19	4 280	28 339
TOTAL CURRENT ASSETS		11 641 935	8 892 131
TOTAL ASSETS		31 840 134	29 133 073

The annex from 11 to 30 page is an integral part of this financial statement

Board:

Jānis Bertrāns
Chairman of board

Janis Mierkalns
Member of board

Gatis Zommers
Member of board

Consolidate balance sheet (continuation)

LIABILITIES

	Note	31.12.2014	31.12.2013
Shareholders'equity		EUR	EUR
Share capital	20	541 990	550 845
Increase of price of the issue of shares		2 828	2 827
Fluctation of exchange rate		-340 573	-4 784
Reserves from revaluation of long-term investments		1 600 057	1 110 312
Other reserves		3 741 168	3 732 315
Retained earnings from the previos year		1 443 846	1 292 413
Retained earnings from the year of accunt		160 692	-260 821
Total shareholders'equity		7 150 008	6 423 107
<hr/>			
Long-term liabilities			
Long-term loans from credit institutions	21	14 822 296	13 733 431
Other creditors	23	1 395 328	1 370 317
Accured liabilities	24	244 479	222 149
Long-term part of incomes from next periods	26	1 566 885	2 031 921
TOTAL		18 028 988	17 357 818
Short-term liabilities			
Short-term loans from credit institutions	21	1 583 645	1 738 488
Debts to suppliers and contractors		4 409 495	2 803 050
Advance payments received from buyers	25	107 650	91 654
Taxes payable	22	94 124	126 953
Other creditors	23	164 427	105 130
Incomes from the next periods short-term part	26	465 095	486 873
TOTAL		6 824 436	5 352 148
Total liabilities		24 853 424	22 709 966
 Total shareholders'equity and liabilities		 32 003 432	 29 133 073

The annex from 11 to 30 page is an integral part of this financial statement

Board:

Jānis Bertrāns
 Chairman of board

Janis Mierkalns
 Member of board

Gatis Zommers
 Member of board

Consolidated cash flow statement

	2014	2013
	EUR	EUR
I. Cash flow from basic activity		
Profit (+) or loss (-) before extraordinary items and taxes:	250 760	-843 888
wear and tear of fixed assets and intangible investments (+)	2 457 049	2 035 540
elimination of fixed assets and intangible investments	0	6
revaluation of long-term investments	68 610	-35 743
revaluation of biological assets	-234 041	45 297
Accruals (except accruals for doubtful debts)	22 330	66 282
profit (-) or loss (+) from fluctuations of exchange rate	259 418	73 442
Income from finansation recognition	-486 815	1 468 841
Interest expenditure	589 875	267 655
Profit or loss before the corrections of the impact of balance changes of current assets and short-term liabilities	2 927 186	3 077 431
increase (+) or decrease (-) of debtors debt	-459 156	-2 378 884
increase (+) or decrease (-) of the reserves of accruals	-2 185 909	-886 680
increase (+) or decrease (-) of the remainder of debts payable to suppliers, contractors and other creditors	1 901 019	-5 141 670
Gross cash flow from basic activity	2 183 140	-5 329 802
Expenditures to pay interest payments	-587 857	-266 638
Net cash flow from basic activity	1 595 283	-5 596 439
II. Cash flow from investments		
Income from selling fixed assets and intangible investments	181 467	89 641
Acquisition of fixed assets and intangible investments	-223 424	-3 375 039
Expenditures for advance payments for fixed assets and unfinished	-2 575 730	0
Net cash flow from investments	-2 617 687	-3 285 398
III. Cash flow from financing activities		
Recieved loans	2 827 817	10 517 288
Expenditures for paying back loans	-1 829 472	-1 631 298
Expenditures for redemption of asset that was hired	0	-10 551
Cash flow from financing activities	998 345	8 875 439
IV. Fluctuations of exchange rate	0	0
V. Net cash flow of the year of account increase (+), decrease (-)	-24 059	-6 399
VI. Money and its equivalents balance at the beginning of the year of account	28 339	34 738
VII. Money and its equivalents balance at the end of the year of account	4 280	28 339

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

The annex from 11 to 30 page is an integral part of this financial statement

Board:

Jānis Bertrāns
Chairman of boardJanis Mierkalns
Member of boardGatis Zommers
Member of board

Statement on the changes in own capital

	Share capital	Reserves from revaluation of long-term investments	Currency fluctuations due to the reestimation of foreign currency	Share premium	Other reserves	Previous years retained earnings	Retained profit/loss of the year of account	Total own capital
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
December 31, 2012	550 845	1 141 843	-5 474	2 827	3 732 314	-105 238	1 352 438	6 669 555
Fluctuation of exchange rate	0	0	-44 525	0	0	150 453	-60 025	45 904
Distribution of profit of the year 2012	0	0	45 215	0	0	1 247 198	-1 292 413	0
Investment revaluation reserve	-31 531	0	0	0	0	0	0	-31 531
Profit of the year of account	0	0	0	0	0	0	-260 821	-260 821
December 31, 2013	550 845	1 110 312	-4 784	2 827	3 732 314	1 292 413	-260 821	6 423 107
Fluctuation of exchange rate	0	0	-335 790	1	0	412 254	0	76 465
Distribution of profit of the year 2013	0	0	0	0	0	-260 821	260 821	0
Investment revaluation reserve	0	489 744	0	0	0	0	0	489 744
Change in share capital	-8 855	0	0		8 855			0
Profit of the year of account	0	0	0	0	0	0	-2 606	-2 606
December 31, 2014	541 990	1 600 057	-340 574	2 828	3 741 169	1 443 846	-2 606	6 986 710

Board:

Jānis Bertrāns
Chairman of board

Janis Mierkalns
Member of board

Gatis Zommers
Member of board

Annex to the financial statement

1. Corporate information

Distributing risks between countries and fields of economic activity, at the end of 2005 and in 2006 JSC “Saldus mežrūpniecība” established new subsidiary companies in the Russian Federation, which main economic activity will be logging and production of sawn timber. In 2005, JSC “Saldus mežrūpniecība” purchased 100% shares of “Pakuļi Sports Centre” Ltd., which main activity is focused on sport and recreation with a sizeable immovable property, situated in a very favourable area.

As the result of the above mentioned activities JSC “Saldus mežrūpniecība” has prepared its year 2014 consolidated report, hereinafter Holding company.

2. Important accounting principles

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

Principles of preparing the financial statement

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

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

The Group carried out a revaluation of its land at the end of 2014 and concluded that their market value exceeded their carrying value at the date of revaluation and at the beginning and end of previous reporting period

Currency and items used in the preparation of the financial statement

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

Consolidation

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

Consolidation of foreign subsidiary companies

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

Changes in accounting policy and disclosures

The following new and amended IFRS and interpretations come into force in 2014 and apply to the Company's operations, but have no impact on these financial statements apart from certain new disclosure requirements:

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

IAS 28 (revised in 2011) "Associates and joint ventures" (effective for annual periods beginning on or after 1 January 2013, endorsed by EU for annual periods beginning on or after 1 January 2014);

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

IFRS 12 "Disclosures of interests in other entities" (effective for annual periods beginning on or after 1 January 2013, endorsed by EU for annual periods beginning on or after 1 January 2014);

The following new and amended IFRS and interpretations come into force in 2014, but do not apply to the Company's operations and have no impact on these financial statements

IFRS 11 "Joint arrangements" (effective for annual periods beginning on or after 1 January 2013, endorsed by EU for annual periods beginning on or after 1 January 2014);

Amendments to IFRS 10, 11 and 12 on transition guidance (effective for annual periods beginning on or after 1 January 2013, endorsed by EU for annual periods beginning on or after 1 January 2014);

IAS 27 (revised in 2011) "Separate financial statements" (effective for annual periods beginning on or after 1 January 2013, endorsed by EU for annual periods beginning on or after 1 January 2014);

Amendments to IFRS 10, IFRS 12 and IAS 27 on consolidation for investment entities (effective for annual periods beginning on or after 1 January 2014);

Amendments to IAS 32 "Financial instruments: Presentation" on offsetting financial assets and financial liabilities (effective for annual periods beginning on or after 1 January 2014);

Amendments to IAS 36 "Impairment of assets" on recoverable amount disclosures (effective for annual periods beginning on or after 1 January 2014);

Amendments to IAS 39 "Financial instruments: Recognition and measurement" on novation of derivatives and hedge accounting (effective for annual periods beginning on or after 1 January 2014)

A number of new standards and interpretations have been published and come into force on financial periods beginning on or after 1 January 2015, and do not relate to the Company's operations or are not endorsed by the European Union:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Use of calculations

When preparing financial statements, the management have to base on certain calculations and assumptions, which influence the remainders of the balance and the profit or loss posts shown in particular statements as well as the amount of possible liabilities. Future events may have an impact on assumptions which were taken into consideration when separate calculations were made. Any influence of calculations is shown in the financial statement at the moment of their determination.

Transactions in foreign currencies

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

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

	31.12.2014	31.12.2013
	EUR	EUR
RUB	0.0144	0.0221
USD	0.8224	0.7327

Intangible investments

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

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

The licences of software which are used in the Holding are accounted in their purchase value by deducting their wear and tear.

Wear and tear is calculated for the whole period of their effective time by applying a linear method.

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

Capital assets

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

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

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

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

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

If there are events or circumstances which indicate that the balance value of capital assets could not be recovered, the value of corresponding capital assets is re-evaluated in order to determine the decrease of their value. If there are signs that the value can not be recovered and if the balance value of assets exceeds the recoverable amount, the asset is written off to its recoverable amount.

Unfinished construction shows the costs of capital assets and unfinished constructions and it is accounted in its initial value. The initial costs include construction costs and other direct expenditures. Wear and tear for unfinished constructions is not calculated until the appropriate assets are finished and put into operation.

In accordance with the accounting policies - land of forests are valued using the revaluation method. A plot shall be performed on a regular basis depending on changes in value. If the asset (the land of forests), the revalued value is not significantly different from its balance sheets value, they are revalued every five years by ordering evaluation to the certified forests assessor. In case of radical changes in the real estate market valuation may be ordered more frequently. Last evaluation is made on 29.04.2014. Records are prepared in accordance with SGS Nr.16 requirement.

Noncurrent assets held for sales

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

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

Biological assets

In 2008 the company management decided to change accountancy policies for forest stands, complying with IAS 41 Agriculture. According to the new accountancy policy the forest stands are evaluated as biologic assets. The evaluation is based on the actual data from the State Forest Service (SFS). The forest stands are initially accounted at their purchase value, but after the first development the remaining part of the forest stand is accounted at its fair value. The fair value is determined by calculating the net present value of the cash flows from the biologic assets at 2014 applying discount rate of 6%. The felling area's cubic meter average purchasing price is set to be the average felling area's cubic meter price during 2014. The difference between the accounting value and the value established in reevaluation is recognized as income or outcome during the accounting period, depending whether the value has increased or decreased during the reevaluation. It appears in the profit and loss account as net turnaround or production costs of sales. Biologic assets which development are not possible in one year time are shown in the balance sheet as long-term investments (held with intention for sale) or as non-current assets.

Decrease of the value of assets

At the end of each year the Holding audits if there are no signs of the decrease of the value of assets. If there are such signs or if the Holding has to carry out the annual audit of the decrease of the value of assets, the Holding establishes the recoverable amount for each asset. The recoverable amount is the biggest amount of selling value from which is subtracted expenditures related to the selling value and use-values. In order to determine the decrease of value, assets are grouped in the lowest possible level for which it is possible to separately determine cash flows (cash flow generating assets). If the balance value of assets is bigger than its recoverable amount, the decrease of the value of asset is acknowledged and the assets are written off to its recoverable amount. Losses from the decrease of value are shown in profit or loss calculation as expenditures from other economic activity.

Loan costs

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

Lease

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

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

Inventories

Unfinished products

Inventories are accounted in their lowest cost value and net selling value. Cost is calculated by applying the FIFO method- first in, first out. Net selling value is the calculated selling price which is normally used in business by subtracting the expenditures needed to finish and sell products.

Raw materials are accounted in their purchase costs.

Finished and unfinished products are accounted in their direct costs (raw materials and labour) by adding indirect expenditures needed for their production (salaries, electricity, wear and tear and other related costs which would be used in usual production volumes).

Finished products are accounted in their lowest cost or net selling value. Net selling value is the calculated selling price in normal business activity by subtracting expenditures which will be needed to finish and sell the products.

The company regularly estimates if the value of reserves has not decreased due to aging or damage. Corresponding loss is included in the profit or loss calculation as production costs of sold products. When damaged products are physically destroyed, the value of reserves and the value of appropriate reserves are written off.

Debts of buyers and customers

Debts of buyers and customers in the balance sheet are shown according to their initial amount except for reserves for insecure debts. Reserves for insecure debts are calculated when it is unlikely that the whole amount of debt could be recovered. Debts are written off when the recovery of it is believed impossible.

Money and its equivalents

Money and its equivalents is money in the bank and cash register as well as other short-term investments with high liquidity and the initial term up to three months or less.

Share capital

Company is a joint stock company. Company share capital is EUR 541 990. And consist of 387 136 public bearer shares . All shares are denominated and are dematerialised. More detailed information on spread of share capital is given in the Note 20.

Profit per share

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

Credits and loans

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

Further loans will be shown in their depreciation value.

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

Accruals

Accruals are acknowledged if the Holding has an obligation (legal or arising from practise) caused by a past event or if there is a probability that in order to meet the liabilities the Holding will have to use its funds and when it is possible to plausibly enough estimate the amounts of these liabilities. If the Holding anticipates that expenditures needed to make accruals will be fully or partly paid back, refund of these

expenditures is acknowledged as a separate asset only when it is practically clear that these expenditures will be refunded. Expenditures related to accruals in the profit or loss calculation are shown, except for the sums which will be needed to reimburse expenditures.

Accruals and deferred liabilities

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

Income recognition

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

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

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

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

Sale of goods

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

Interest

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

Dividends

Incomes are recognized when shareholders have rights to receive them.

Income from lease

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

Taxes

Company income tax

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

Deferred company income tax

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

Possible liabilities and assets

In this financial statement the possible liabilities are not acknowledged. As liabilities they are acknowledged only when the possibility that funds will be spent becomes pretty plausible. Possible assets in this financial statement are not acknowledged, but they are shown only when plausibility that economic gains related to a transaction will reach the Holding is pretty grounded.

Allowances

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

the according payment was made. Pension plan payments and cash flow are similar, and the employer does not account assets or liabilities by accruals method.

Associated persons

Associated persons are Holding's parent company's subsidiary companies and shareholders who can significantly influence the activity of the Holding's parent company, the members of council and board, their close relatives and companies in which the said persons have significant impact or control.

Events after the end of the year of account

After the year of account, in the financial statement are shown the events which give additional information about the Holding's financial situation on the date of drawing up the balance sheet (correcting events). If the events after the end of the year of account are not correcting, they are shown in the notes of the annex to the financial statement only if they are significant.

3. Segments of the Holding activities

	Logging		Timber processing		Other		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Net turnover	7 487 688	6 814 487	41 720 153	33 025 072	2 017 010	4 147 336	51 224 851	43 986 895
Production costs of the sold production	-7 967 294	-6 324 773	-39 667 575	-32 484 003	-2 090 915	-4 952 213	-49 725 784	-43 760 989
Selling costs	-22 700	-2 657	-63 328	-15 061	-5 486	-41 147	-91 514	-58 864
General administration costs	-18 800	-31 491	-50 622	-56 580	-345 636	-309 475	-415 058	-397 447
Other income/expenditures from company's economic activity	34 535	-5 114	-539 397	-126 456	-123 149	64 153	-628 011	-67 417
Profit or loss from economic activity	-486 571	450 453	1 399 231	342 972	-548 176	-1 091 346	364 484	-297 821
Other interset income/payments and the like income	-8 338	-7 133	90580	4 482	-195 966	-543 416	-113 724	-546 067
Company's deferred income tax	0	0	0	0	-232 275	603 211	-232 275	603 211
Other taxes	0	0	-8 067	-8 082	-13 024	-12 062	-21 091	-20 144
Income from segments activities	39 733	-13 601	-309 836	-221 611	270 103	235 212	0	0
Profit or (loss)	-455 176	429 719	1 171 908	117 761	-719 338	-808 401	-2606	-260 821
Segment assets	4 654 167	4 513 320	25 932 243	21 872 920	1 253 725	2 746 832	31 840 134	29 133 073
Segment liabilities	5 101 573	4 210 601	25 399 718	21 625 627	1 338 843	3 296 845	31 840 134	29 133 073

The Holding shows information through particular segments.

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

The management of the Holding believe that it is not useful to prepare cash flow statements through different segments.

Segment descriptions:

Logging

Income in this segment mainly arises from selling of round timber, obtained in logging, and timber transportation in the territory of Latvia and from the income from logging services.

Timber processing

Income in this segment mainly arises from selling of sawn timber which was obtained in the production process and from rendering of different services which are related to timber processing.

Other

Collected lease payments for the use of the company's real estate and other income which is not related to the company's economic activity.

4. Net turnover through geographical segments

Since the economic activity of the Holding is mainly performed in Latvia and all significant assets are situated in Latvia, the management believe that it is not useful to prepare a statement through geographical segments as the amount of income from different geographical segments does not exceed 10 % of total income.

	2014 EUR	2013 EUR
Income from sales, int. Al.	48 821 548	41 352 673
Latvia	48 096 324	40 823 160
Other countries	725 224	529 513
Income from rendering of services, int. Al.	2 653 098	2 147 392
Latvia	2 641 711	2 121 932
Other countries	11 387	25 461
Financing of the EU structural funds	486 816	486 830
	51 961 462	43 986 895

5. Production costs of sold products

	2014 EUR	2013 EUR
<u>Production cost of products sold</u>		
Salary of employees	2 285 179	2 029 868
Social insurance costs	533 294	486 696
Reserve for vacation pays	15 440	63 662
Doubtful debtors reserve	0	2 493
Depreciation of property, plant and equipment	2 270 814	1 945 824
Costs of purchase of materials	1 319 356	916 672
Stem fee (purchase of cutting rights)	5 060 679	4 075 347
Purchase costs of sawn timber	32 309 463	28 701 569
WIP inventory adjustment	-266 646	0
Electricity and heating costs	1 514 071	1 070 981
Production related contractors expenses	2 044 536	1 898 464
Production equipment maintenance costs	814 347	926 365
Fuel costs	993 479	831 774
Revaluation of biological assets	-286 709	-43 075
Production equipment maintenance costs	1 066 868	836 058
Other services received	51 612	18 292
	49 725 783	43 760 990

6. Selling costs

	2014	2013
	EUR	EUR
Adevrtisement costs, market research, marketing	10 655	10 104
Transportation costs of goods	50 749	33 920
Other production costs	30 110	14 841
	91 514	58 864

7. General and administration costs

	2014	2013
	EUR	EUR
Salaries to employees	155 084	127 411
Maintenance of administration capital assets	49 843	85 751
Expense associated with maintenance of administration	52 385	33 215
Office maintenance costs	92 983	90 890
Annual report expenses	9 735	4 695
Banking expenses	55 028	55 485
	415 058	397 447

8. Other income from economic activity

	2014	2013
	EUR	EUR
<u>Other income</u>		
Income from services	0	293 483
Net income from sale of long term investment	404	81 993
Income from lease of fixed assets	134 445	101 311
Financing of the EU structural funds and LAD	18 507	26 959
	216 081	503 746
<u>Other expense</u>		
Dues paid for land plots used in production	10 972	20 636
Security costs	94 556	298 217
Employee training expenses	31 160	646
Other expense for provision of economic activities	682 997	251 664
	844 091	571 163

9. Staff costs

	2014	2013
Average number of employees	222	183
Total personnel costs	EUR	EUR
Wage from a different legislative	15 680	37 515
Wages	2 317 848	2 090 169
Social tax	538 546	500 474
Unemployment risk due	877	768
	2 872 951	2 628 926
including:		
wages of production workers		
Wage from a different legislative	7 216	15 048
wages	2 247 283	1 974 233
social tax	522 299	472 546
unemployment risk due	851	743
	2 777 649	2 462 570
administration wages		
Wage from a different legislative	14 332	22 466
wages	70 565	55 462
social tax	16 247	13 361
Unemployment risk due	26	17
	101 170	91 306
incl. remuneration to company management - board		
wages	75 470	60 473
Social tax	16 216	14 567
Unemployment risk due	9	9
	91 695	75 049

10. Other costs of economic activity

	2013	2014
	EUR	EUR
<u>Income</u>		
Income from currency exchange	0	10 024
Income from exchange rate fluctuations	0	27 847
Income from the interest due	11 717	0

Income from doubtful debtors accruals reduction	0	49 164
Other income	1 965	66 456
	13 682	153 491
<u>Expense</u>		
Currency exchange expenses	37 562	7 558
Exchange rate fluctuations expenses	153 145	138 655
Donations	0	726
Fines paid	28 843	25 659
Other expense	32 056	238 742
Loan interest calculated	319 241	286 432
Financial lease interest recognised	0	1 783
	570 847	699 556

11. Deferred company income tax:

	2014	2013
	EUR	EUR
<u>Liabilities of the deferred company income tax</u>		
The residual value of capital assets in accounting (excluding the value of land, advance payments and unfinished construction)	13 813 119	15 898 253
Residual value of capital assets needed for taxes	8 072 584	11 337 333
Tax losses not covered	1 016 709	992 065
Accruals for holidays	36 672	33 322
A biological asset revaluation	-83 327	0
Temporary difference	-5 740 535	-4 560 920
Liabilities of deferred tax	-861 080	-684 138
Assets of deferred tax	108 974	341 249
Expenses of deferred tax 15%	-232 275	603 211

To calculate the rate of deferred tax 15 % rate is applicable.

12. Other taxes

	2014	2013
	EUR	EUR
Real estate tax	21 091	20 144
	21 091	20 144

13. Intangible investments

	EUR	EUR
As at 31.12.2013.	81553	81553
Cost	39394	39394
2014 Currency fluctuations	0	0
Impairment	0	0
As at 31.12.2014	120947	120947
Amortisation accrued 31.12.2013.	77399	77399
Amortisation	6847	6847
2014 Currency fluctuations	0	0
Impairment	0	0
Amortisation accrued 31.12.2014	84246	84246
As at 31.12.2013	4154	4154
As at 31.12.2014	36701	36701
Amortisation rate (by linear method)	5 years	

Goodwill Holdings goodwill on 31.12.4 is 0

14. Capital assets

	Land, buildings and systems	Equipment and machinery	Other fixed assets	Unfinished fixed assets	Advance payments for fixed assets	Total
	EUR	EUR	EUR	EUR	EUR	EUR
Accounting value 31.12.2013	8 442 031	17 973 776	214 205	154 423	0	26 784 435
Purchase	19 071	147 015	31 317	2 553 979	0	2 751 382
2014 Liquidity	0	-520 396	-7 698	0	0	-528 094
Reconstruction	0	0		179 087	0	179 087
Currency fluctuations	-217 035	-228 310	0	0	0	-445 345
Reshuffles	259 745	0	0	0	0	259 745
Accounting value 31.12.2014	8 503 812	17 372 085	237 824	2 887 489	0	29 001 210
Accured wear and tear 31.12.2013	1 729 285	6 211 398	133 851	0	0	8 074 534
Wear and tear	371 730	1 940 183	34 173	0	0	2 346 086
2014 Wear and tear of liquid assets	0	-520 396	-7 698	0	0	-528 094
Currency fluctuations	-4 678	-24 405	0	0	0	-29 083
Reshuffles	0	0	0	0	0	0
Accured wear and tear 31.12.2014	2 096 337	7 606 780	160 326	0	0	9 863 443
Residual value 31.12.2013	6 712 746	11 615 493	80 379	154 423	0	18 563 041
Residual value 31.12.2014	6 407 475	9 765 305	77 498	2 887 489	0	19 137 767
Rate of wear and tear (linear method)	5-20 year	4-10 year	3-10 year			

Cadastral value has been set for buildings and land owned by the company in amount to 1 385 271 EUR

Cadastral value of lands at the balance date amounts to 390 041 Ls (554 978 EUR).

Unfinished construction and advance payments for capital assets

	2014	2013
	EUR	EUR
Unfinished fixed assets Pakuļu sporta bāze SIA	112 225	112 225
Unfinished fixed assets ООО «Деревообрабатывающий комбинат № 3	179 087	0
Unfinished fixed assets Saldus mežrūpniecība AS	2 596 177	42198
	2 887 489	154423

15. Reserves

	2014	2013
	EUR	EUR
Materials, spare parts, inventory	104 192	70 577
Raw materials (round timber in forest and in mill)	2 718 838	2 171 243
Total raw materials:	2 823 030	2 241 820
Biological assets	555 511	493 174
Unfinished goods (round timber in forest and in mill)	52 308	106 687
Timber in production	1 626 487	524 352
Total unfinished goods:	1 678 795	631 039
Ready sawn materials products	1 400 781	1 091 503
Total ready products and goods for sale	1 400 781	1 091 503
Advance payments for goods	108 535	24 407

In the Holding on 31.12.2014. was carried out inventory and non-marketable stocks were not established.

16. Trade receivables

	2014	2013	2013	2012
	EUR	EUR	EUR	EUR
Debts of buyers and customers	4 640 586	3 964 905	3 964 905	1 346 412
total	4 640 586	3 964 905	3 964 905	1 346 412

Residuals of debtors debts in the balance sheet are shown in their net value. Reserves for insecure debts were made on the bases of estimation of the financial situation and economic activity of some of the customers by taking into consideration the debt repayment in compliance with the concluded agreement and possibility of recovery. Reserves are made for the debtors who 2 years in turn have not responded to collation acts and can not be found in their given addresses and for the debtors against whom there has been started the procedure of insolvency (reference from the CR). In 2014 bad debt provisions have been written off for amount of 264 407 EUR

17. Other debtors

	2014	2013
	EUR	EUR
Surplus tax payment	67 733	33 983
VAT paid in advance on boarder	0	627
Guarantee payments made	4 237	4 237
Other debtors	3 046	1 880
In total other debtors	75 016	40 727

18. Expenditures of the next periods

	2014	2013
	EUR	EUR
Insurance	14 976	13 614
Licence fees	1 455	684
Other	32 682	285 629
In total expenditure of the next periods	49 113	299 927

19. Money and its equivalents

	2014	2013
	EUR	EUR
Money in accounts	4 280	28 339
Money total	4 280	28 339

2014			
Currency division	Currency	EUR	
	EUR	3923	3923
	RUB	6429	93
	USD	320	264

20. Share capital, reserves and profit per share

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

	%	2014	2013
Shares of closed issue	2014	number	number
SIA Saldus mežrūpniecības uzņēmums	44.39	171 833	171 833
SIA Juridiskais birojs Merkants	27.21	105 327	100 655
SIA Pienjāņi	12.12	46 928	
SIA JL Index	5	19 357	61 915
the other shareholders (each 5%)	11.28	43 691	52 733
Total:	100	387 136	387 136
	2014	2013	
	EUR	EUR	
Profit of the period of account	-2 606	-260 821	
Number of shares 31.12.2014	387 136	387 136	
Basic profit per share per year	-0.01	-0.67	

*Shares of public offering consist of 387136 shares the holder and controller of which is the joint-stock company Latvian Central Depository, consequently these shares are available in the market.

All shares are signed, issued and fully paid.

Profit per share is calculated in the following way: profit of the year of account is divided with the weighted-average number of shares in circulation in the period of account which is 387 136.

A nominal value of each share is 1.40 euro.

In compliance with the statutes, the profit which remains after dividends are paid and included in undividable reserves is included in other reserves and used for the further development of the company.

21. Loans from credit institutions

	% rate in force	The repayment term	2014 EUR	2013 EUR
Long-term:				
Nordea Bank AB Latv. Fil creditline	The Base rate EONIA +	20.05.2015	7 829 915	7 586 976
Nordea Bank AB Latv. Fil creditline	The Base rate EONIA +	30.11.2016	1 498 556	1 985 790
Nordea Bank AB Latv. Fil creditline	The Base rate EONIA +	30.11.2016	748 650	997 117
Nordea Bank AB Latv. Fil	Fixed + %	31.07.2017	454 976	417 038
Nordea Bank AB Latv. Fil	Fixed + %	31.07.2017	1 579 130	2 135 813
Nordea Bank AB Latv. Fil (2012)	3 mon.Euribor + %	28.02.2018	279 583	401 583
Nordea Bank AB Latv. Fil (2012)	3 mon.Euribor + %	05.03.2018	145 613	209 114
Nordea Bank AB Latv. Fil (2014)	1 mon.Euribor + 1.5%	12.08.2019	1 375 410	0
The Latvian Guarantee Agency	1 mon.Euribor +1.5 %	26.08.2024	910 463	0
			14 822 296	13 733 431
Short-term:				
AS Swedbank	3 mon.Euribor + %	up to 12 mon	0	175 827
Nordea Bank AB Latv. Fil creditline	The Base rate EONIA +	up to 12 mon.	499 992	499 992
Nordea Bank AB Latv. Fil creditline	The Base rate EONIA +	up to 12 mon.	250 000	250 000
Nordea Bank AB Latv. Fil	Fixed + %	up to 12 mon.	91 470	70 485
Nordea Bank AB Latv. Fil	Fixed + %	up to 12 mon.	556 683	556 683
Nordea Bank AB Latv. Fil	3 mon.Euribor + %	up to 12 mon.	122 000	122 000
Nordea Bank AB Latv. Fil	3 mon.Euribor + %	up to 12 mon.	63 500	63 500
			1 583 645	1 738 488
Total			16 405 941	15 471 918

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

	% rate in force	2014 EUR	2013 EUR
Short-term:			
Nordea finance Latvija SIA	3 mon. Euribor+%	25 551	0
		25 551	0
Long-term:			
Other creditors		1 246 667	1 316 667
Nordea Finance Latvia		108 771	0
		1 355 438	1 316 667

Loans from other creditors have been secured by mortgage on real estate, in total cadastral value 209 162 EUR

22. Taxes payable

	31.12.2013	Paid in 2014	Calculated in 2014	Fine	Taxes recognized as other taxes	31.12.2014
	EUR	EUR	EUR	EUR	EUR	EUR
Company Income Tax(Adjustment)	0		50			-50
VAT	30 757	69 100	-68 563	89	-100 598	67 733
VAT on the boarder	627				-627	0
Peoples Income Tax	-71061	545134	533616	6463		-66 005
Compulsory Payments of Social Insurance Tax	-48684	761707	801679	2293	71684	-19 266
Natural Resources Tax	-142	200	150		-50	-142
Property Tax	-298	21018	21042			-322
Risk due	44	850	856	0	0	38
Other legislative taxes	-6 767					-8340
Total	-95 524	1 398 009	1 288 830	8 845	-29 591	-26 353
Debt on taxes	-126 953					-94 124
Overpayd taxes	31 428					67 771

23. Other liabilities

	2014	2013		
	EUR	EUR		
<u>Short-term</u>				
Salary payments	132 310	98 918		
Contributions to private pension funds	3 042	3 042		
Payments for deductions from wages	1 230	1 285		
Advance payments to empyees	475	1 561		
Other creditors	27 370	324		
	164 427	105 130		
<u>Long-term:</u>				
Other creditors	1 395 328	1 370 317		
	1 395 328	1 370 317		
	% rate in force	2014	2013	
		EUR	EUR	
<u>Short-term:</u>				
Nordea finance Latvija SIA	3 mon. Euribor+%	25 551	0	
		25 551	0	
<u>Long-term:</u>				
Other creditors	1 246 667	1 316 667		
Nordea Finance Latvia	108 771	0		

1 355 438 1 316 667

Loans from other creditors have been secured by mortgage on real estate, in total cadastral value 209 162 EUR

24. Accrued liabilities

	2014	2013
	EUR	EUR
Accrued for holidays	244 479	222 149
	244 479	222 149

25. Liabilities provisions

	2014	2013
	EUR	EUR
Accrued liabilities	107 650	91 654
	107 650	91 654

26. Incomes from the next periods

	2014	2013
	EUR	EUR
Long-term:		
Project No. 124000041	0	1 320
Project No.L-APV-10-0015	1 566 885	2 030 600
	1 566 885	2 031 921
Short-term		
Project No. 124000041	1 316	16 012
Project No..04/415034/0002/023	0	7 083
Project No.L-APV-10-0015	463 717	463 717
Other income	62	63
	465 095	486 874

27. Expenditures due to the environment protection

The basic economic activity of the Holding is production of timber. As a wrapping material is used polyethylene plastic. In order to secure qualitative and environmentally friendly economic activity and to reduce ecological and financial risks related to financial losses and significant loss of funds arising from penalty fee payments, there has been concluded agreement with Green Belt Ltd. on collection, transportation, recycling and regeneration of used wrapping material so that it corresponds with the requirements of normative acts, planning and organization of the said work. During maintenance work various oil filters and oils are replaced. They are collected in special places and then

handed over to BAO Ltd. on which there has been concluded a special agreement on collection of hazardous waste. In this way the Holding meets all environment protection requirements determined by appropriate acts and regulations so that there could be reduced impact of hazardous substances on the environment and significantly decreased possible losses, int.al. unplanned taxes and decreased ecological risks in all objects.

28. Financial instruments

The main financial instruments of the Holding are granted and received short-term loans, money, short-term deposits and financial lease. The main objective of these financial instruments is to secure the financing of Holding's economic activity. Also, the holding comes in touch with some other financial instruments, for example, debts of buyers and customers and debts of other debtors, debts to suppliers and constructors and other debtors which directly arise from its economic activity.

Financial risks

The main financial risks related to the Holding's financial instruments are: credit risk, currency risk, interest risk and liquidity risk.

Credit risk

The parent company of the Holding and the Holding itself is subjected to credit risks which arise from the debts of buyers and customers, short and long-term loans.

The Holding controls its credit risks by constantly estimating the history of how debtors pay back their debts and by establishing crediting conditions for each customer separately. Besides, the company constantly monitors the reminders of debtors' debts in order to decrease the possible of arising of unrecoverable debts.

Foreign currency risk

To the financial assets which are under foreign currency risk belong money and its equivalents, debts of buyers and customers, advance payments for construction work, short-term loans, debts to suppliers and contractors, long-term debts to financial institutions and leasing companies.

The holding does not use any financial instruments to administrate currency fluctuations risks.

Interest risk

The companies which belong to the Holding are subjected to the interest risk; mainly they are loans from crediting institutions and leasing companies.

The management of the Holding think that the financial assets and liabilities of the Holding on December 31, 2013 were not subjected to any important interest rate risks as the deviance from the real value of particular financial assets and liabilities was not significant.

Liquidity risk

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

Real value

All financial assets and liabilities of the Holding which are not shown in their real value- money, debtors, other debtors, received and granted loans, debts to suppliers and contractors and the balance value of other debts correspond with their real value.

29. Events after the year of account

Except from what was said in the management statement in the period from the last day of the year of account until the date of signing this financial statement there have not occurred any events due to which there should have been done any amendments or corrections in this financial statement.

30. Transactions with associated persons

Subsidiary	Type of transaction		Income from subsidiaries EUR	Debts of subsidiaries EUR	Credits to subsidiaries EUR
OOO Saldus	debt and sales of ready production	2013	742	174 142	0
		2014	671	107 010	0
OOO DOK Nr.3	debt and sales of ready production	2013	27 968	1 174 262	0
		2014	23 065	917 392	0
SIA Pakuļu sporta bāze	debt and sales of ready production	2013	11 407	480 788	0
		2014	14 080	330 905	0
SIA SEZ Laskana	debt, dividends and sales of ready production	2013	29 789	0	0
		2014	0	0	0
SIA Saldus MRU	debt, dividends and sales of ready production	2013	0	13 166	104 136
		2014	0	0	0
SIA Pata AB	sales of ready production and services	2013	78439411	4 417 426	798 804
		2014	48470811	4 018 726	235 815
SIA PATA	sales of ready production and services	2014	19270	1 757	0
SIA Saldus Enerģija	debt, dividends and sales of ready production	2013	0	0	0
		2014	1021514	371 147	0
		2013	78 509 317	6 259 784	902 940
		2014	49 549 411	5 746 937	235 815

Auditor's statement

INDEPENDENT AUDITORS' REPORT

To the shareholders of AS Saldus mežrūpniecība

Report on the financial statements

We have audited the accompanying consolidated financial statements of AS Saldus mežrūpniecība (the Parent Company) and its subsidiaries (hereinafter – the Group), set out on pages 6 to 30 of the accompanying 2014 Consolidated Annual Report, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of comprehensive income, consolidated statements of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management of the Parent Company is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

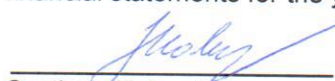
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

Furthermore, we have read the consolidated management report for the year ended 31 December 2014 (set out on page 4 of the accompanying 2014 Consolidated Annual Report) and have not noted any material inconsistencies between the financial information included in it and the consolidated financial statements for the year ended 31 December 2014.


Svetlana Koļesnikova
Sworn auditor in charge
LZRA certificate No. 22

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Rīga, 30th April, 2015