

# **JOINT STOCK COMPANY „PATA SALDUS”**

(UNIFIED REGISTRATION NUMBER 40003020121)

## **ANNUAL REPORT FOR THE YEAR 2015**

PREPARED IN ACCORDANCE WITH  
THE LAW OF THE REPUBLIC OF LATVIA ON ANNUAL REPORTS

## **AND INDEPENDENT AUDITORS' STATEMENT**

**Saldus, 2016**

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## Information about the Company

Name of the Company	<b>PATA Saldus (PATA Saldus)</b>
Legal status of the Company	Joint Stock Company
Registration number, place, and date	40003020124 August 26, 1991, Riga
Address	Kuldīgas iela 86C, Saldus, Saldus novads, LV 3801
The main areas of activities of the Company NACE code	Forestry, commercial timber preparation and related services; production of board lumber, etc. 022; 494; 521
Members of the Board: name, surname, position	Janis Bertrāns ( <i>Jānis Bertrāns</i> ) – Chancellor of the Board (is released on November 10, 2015) Andris Krastiņš ( <i>Andris Krastiņš</i> ) – Chancellor of the Board (was appointed on November 11, 2015) Janis Mierkalns ( <i>Jānis Mierkalns</i> ) – member of the Board Gatis Zommers ( <i>Gatis Zommers</i> ) – member of the Board (is released on November 10, 2015) Evija Birina ( <i>Evija Biriņa</i> ) – member of the Board (was appointed on November 11, 2015) Ilze Bukulde ( <i>Ilze Bukulde</i> ) – member of the Board (was appointed on February 15, 2016)
Members of the Council: name, surname, position	Uldis Mierkalns ( <i>Uldis Mierkalns</i> ) – Chairman of the Council Janis Bertrāns ( <i>Jānis Bertrāns</i> ) – Deputy Chairman of the Board (was appointed on February 15, 2016) Lolita Burkovska ( <i>Lolita Burkovska</i> ) – Deputy Chairman of the Board (is released on October 27, 2015) Maris Elleris ( <i>Māris Elleris</i> ) – member of the Council (is released February 15, 2016) Janis Leimanis ( <i>Jānis Leimanis</i> ) – member of the Council (is released February 15, 2016) Martins Knipsis ( <i>Mārtiņš Knipšis</i> ) – member of the Council (is released on July 20, 2015) Inga Mierkalna ( <i>Inga Mierkalna</i> ) – member of the Council (was appointed on July 20, 2015) Atis Kalnins ( <i>Atis Kalniņš</i> ) – member of the Council (was appointed on February 15, 2016) Ieva Sniedze ( <i>Ieva Sniedze</i> ) – member of the Council (was appointed on February 15, 2016)
Subsidiary enterprise	
1. Name of the company	<i>Pakuli Sports Premises (Pakuļu sporta bāze) (100%)</i>
Legal status of the company	Limited Liability Company
NUMBER AND DATE OF REGISTRATION IN THE COMMERCIAL REGISTER	48503009010 November 21, 2002
Address	“Mežvidi”, Novadnieku pag. Saldus rajons LV 3801
The main areas of activities of the company	Hunting and related services. Organisation of training and competitive shooting using hunting weapons.
Owner of the company	PATA Saldus (PATA Saldus), JSC – 100%
Reporting year	January 1 – December 31, 2015
2. Name of the company	Woodworking Centre No.3 ( <i>Деревообрабатывающий комбинат № 3</i> ) (100%)
Legal status of the company	Limited Liability Company (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, 2015
3. Name of the company	Saldus ( <i>Салдус</i> ) (100%)
Legal status of the company	Limited Liability Company (ООО - Общество с ограниченной ответственностью)
Registration number, date, place	1056000426371 21. December 2005
Address	Russia: 180005, Россия, г. Псков, Зональное шоссе, д. 44-А
The main areas of activities of the company	Purchase of lumber
Owner of the company	PATA Saldus (PATA Saldus), JSC – 100%
Reporting year	January 1 – December 31, 2015

Associated enterprise

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

Parent company

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

Name and address of the Auditor	LTD „Sworn auditor S. Koļesņikovas office”, LZRA licence No 127 Svetlana Koļesņikova Sworn Auditor (Certificate of Latvian Sworn Auditor No.22)
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**Changes in a commercial company that is made during the reporting period**

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

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

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

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

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

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

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

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

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## Management announcement

### *To Report of economic activity for the 2015*

#### **Business description in the framework of report period**

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

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

Loss of A/s „PATA Saldus” for the year 2015 are 1 499 155 EUR at the net turnover of 36 776 187 EUR, representing a loss per issued share 3.88 EUR.

The financial report is prepared on the base of information that is at share company board's disposal and in compliance with requirements of effective normative acts, it provides true and clear picture on assets, liabilities, financial position and profit or losses of the share company. There is true information included in the announcement. The Board proposes to cover the 2015 losses from retained earnings of previous periods.

#### **Forecasts for financial statments and operational plans of 2016**

Management of the company continues work on internal restructuring of the company aimed at adjusting to existing market situation and improvement of economic situation and financial indicators of the company. Management policy is not based on wide ranging economic activities, rather than on development of economic activities in two interrelated areas, by increasing production volumes, increasing productivity of work.

#### **Business and financial risk management policy**

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

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

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

April 29, 2016  
Board:

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Andris Krastiņš  
Chancellor of the Board

Jānis Mierkalns  
member of the Board

Evija Bīriņa  
member of the Board

Ilze Bukulde  
member of the Board

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## Statement of Management Responsibility

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

The Management confirms that, in preparing this report for the period ending on 31 December 2015, proper accounting methods were used, their application was consistent, reasonable and prudent decisions were taken. The Management confirms that the relevant International Accounting Standards have been observed and the financial statements have been prepared in accordance with the principle of continuation. The Management is responsible for keeping proper accounting records, the company's resources conservation as well as fraud prevention and prevention of other irregularities.

April 29, 2016

Board:

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Andris Krastiņš Chancellor of the Board	Jānis Mierkalns member of the Board	Evija Bīriņa member of the Board	Ilze Bukulde member of the Board
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## Profit or loss calculation

	Note	31.12.2015 EUR	31.12.2014 EUR
Net turnover	4	36 776 187	51 224 851
Production costs of the sold production	5	-37 316 305	-49 047 843
<b>Gross profit</b>		<b>-540 118</b>	<b>2 177 008</b>
Selling costs	6	-24 148	-45 050
General administration costs	7	-411 829	-369 691
Other income from company's economic activity	8	216 971	152 755
Other expenditures from company's economic activity	8	-344 584	-629 331
<b>Profit or loss from economic activity</b>		<b>-1 103 708</b>	<b>1 285 691</b>
Other interest income and the like income	9	23 075	39 781
Other interest payments and the like payments	9	-399 214	-566 909
<b>Profit or loss before extraordinary items and taxes</b>		<b>-1 479 847</b>	<b>758 563</b>
Company's income tax		0	0
Company's deferred income tax	10	0	-232 275
Other taxes	11	-20 485	-20 315
<b>Profit or (loss)</b>		<b>-1 500 332</b>	<b>505 973</b>
 <b>Profit/loss on share</b>		 <b>-3.88</b>	 <b>1.31</b>
EUR per share			

The annex from 12 to 28 page is an integral part of this financial statement

April 29, 2016

Board:

Andris Krastiņš Chancellor of the Board	Jānis Mierkalns member of the Board	Evija Biriņa member of the Board	Ilze Bukulde member of the Board
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## Balance sheet

### ASSETS

	Note	31.12.2015 EUR	31.12.2014 EUR
<b>LONG-TERM INVESTMENTS</b>			
<b>Intangible investments</b>			
Concessions, patents, licences, trademarks and the like items		23 760	36 701
TOTAL	12	<b>23 760</b>	<b>36 701</b>
<b>Fixed assets</b>			
Land, premises and buildings		5 630 341	5 963 855
Equipment and machinery		10 513 206	9 678 507
Other fixed assets		59 338	77 498
Unfinished constructions		4 282 165	2 596 177
Advance payments for fixed assets		29 227	0
TOTAL	13	<b>20 514 277</b>	<b>18 316 037</b>
<b>Biological assets</b>			
		<b>738 327</b>	<b>906 217</b>
<b>Long-term financial investments</b>			
Participation in the capital of related companies	14	1 009 149	1 009 149
Investment in associated companies	15	8 540	8 540
Loans to the related companies	16	958 356	969 555
Deferred tax assets	10	108 974	108 974
TOTAL		<b>2 085 019</b>	<b>2 096 218</b>
<b>TOTAL LONG-TERM INVESTMENTS</b>		<b>23 361 383</b>	<b>21 355 173</b>
<b>CURRENT ASSETS</b>			
<b>Stocks</b>			
Raw materials, direct materials, auxiliary materials		1 664 079	2 689 650
Biological assets		524 588	555 511
Unfinished production		605 683	1 678 795
Finished production and goods for sale		2 112 554	1 351 877
Advance payments for goods		64 203	108 535
TOATL	17	<b>4 971 107</b>	<b>6 384 368</b>
<b>Noncurrent assets held for sale</b>			
Fixed assets held for sale		<b>306 288</b>	<b>306 288</b>
<b>Debtors</b>			
Debts of buyers and customers	18	197 319	4 618 803
Debts of subsidiaries	18	3 210 498	361 065
Other debtors	19	42 430	72 011
Expenditures of the next periods	20	43 261	49 112
TOTAL		<b>3 493 508</b>	<b>5 100 991</b>
<b>Money and its equivalents</b>			
	21	4 925	4 086
<b>TOTAL CURRENT ASSETS</b>		<b>8 775 828</b>	<b>11 795 733</b>
<b>TOTAL ASSETS</b>			
		<b>32 137 211</b>	<b>33 150 906</b>

The annex from 12 to 28 page is an integral part of this financial statement  
April 29, 2016

Board:

Andris Krastiņš Chancellor of the Board	Jānis Mierkalns member of the Board	Evija Bīriņa member of the Board	Ilze Bukulde member of the Board
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## Balance sheet (continuation)

LIABILITIES			
	Note	31.12.2015	31.12.2014
Shareholders'equity		EUR	EUR
Share capital	22	541 990	541 990
Increase of price of the issue of shares		2 828	2 828
Reserves from revaluation of long-term investments		1 600 057	1 600 057
Other reserves		3 741 168	3 741 168
Retained earnings from the previos year		2 772 876	2 266 903
Retained earnings from the year of accunt		-1 500 332	505 973
<b>Total shareholders'equity</b>		<b>7 158 587</b>	<b>8 658 919</b>
<b>Accruals</b>			
Accruals for holiday	28	213 657	244 479
<b>TOTAL</b>		<b>213 657</b>	<b>244 479</b>
<b>Long-term liabilities</b>			
Long-term loans from credit institutions	23	13 992 559	14 822 296
Other creditors	27	1 610 396	1 355 438
Long-term part of incomes from next periods	30	2 082 857	1 566 885
<b>TOTAL</b>		<b>17 685 812</b>	<b>17 744 619</b>
<b>Short-term liabilities</b>			
Short-term loans from credit institutions	23	2 456 871	1 583 645
Short-term part of financial lease	24	1 000 114	25 551
Debts to suppliers and contractors	25	2 629 812	4 098 362
Debts to subsidiaries	25	377 083	0
Advance payments received from buyers	29	115 682	107 650
Taxes payable	26	135 899	85 413
Other creditors	27	141 111	137 173
Incomes from the next periods short-term part	30	222 583	465 095
<b>TOTAL</b>		<b>7 079 155</b>	<b>6 502 889</b>
<b>Total liabilities</b>		<b>24 764 967</b>	<b>24 247 508</b>
<b>Total shareholders'equity and liabilities</b>		<b>32 137 211</b>	<b>33 150 906</b>

The annex from 12 to 28 page is an integral part of this financial statement

April 29,2016

Board:

Andris Krastiņš  
Chancellor of the Board

Jānis Mierkalns  
member of the Board

Evija Biriņa  
member of the Board

Ilze Bukulde  
member of the Board

## Cash flow statement

	2015 EUR	2014 EUR
<b>I. Cash flow from basic activity</b>		
<b>Profit (+) or loss (-) before extraordinary items and taxes:</b>	<b>-1 479 847</b>	<b>758 563</b>
Corrections:		
wear and tear of fixed assets and intangible investments (+)	1 451 647	2 320 114
revaluation of long-term investments/biological assets	-57 744	68 610
revaluation of biological assets	198 812	-234 041
Accruals (except accruals for doubtful debts )	-30 822	22 330
profit (-) or loss (+) from fluctuations of exchange rate	11 249	0
Income from finansation recognition	-189 275	-486 816
Interest income	-21 446	-37 816
Interest expenditure	287 447	426 351
<b>Profit or loss before the corrections of the impact of balance changes of current assets and short-term liabilities</b>	<b>170 020</b>	<b>2 837 295</b>
Corrections:		
<b>increase (+) or decrease (-) of debtors debt</b>	<b>1 640 929</b>	<b>-470 389</b>
increase (+) or decrease (-) of the reserves of accruals	1 382 339	-2 385 578
increase (+) or decrease (-) of the remainder of debts payable to suppliers, contractors and other creditors	-82 693	2 033 998
Gross cash flow from basic activity	3 110 595	2 015 326
<b>Expenditures to pay interest payments</b>	<b>-286 951</b>	<b>-424 333</b>
Expenditures to pay property tax	-20 485	0
Net cash flow from basic activity	2 803 159	1 590 993
<b>II. Cash flow from investments</b>		
Income from selling fixed assets and intangible investments	50 083	181 468
Acquisition of fixed assets and intangible investments	-1 479 409	-215 044
Expenditures for advance payments for fixed assets and unfinished	-1 715 215	-2 575 730
Loans issued	-50	-180 027
Net cash flow from investments	-3 144 591	-2 789 333
<b>III. Cash flow from financing activities</b>		
Recieved loans	1 287 728	2 827 817
Recieved subsidies and grants	462 735	0
Expenditures for paying back loans	-640 699	-1 653 645
Expenditures for the leased asset ransom	-163 953	0
Changes of credit lines	-603 540	0
Cash flow from financing activities	342 271	1 174 172
<b>IV. Fluctuations of exchange rate</b>	<b>0</b>	<b>0</b>
<b>V. Net cash flow of the year of account increase (+), decrease (-)</b>	<b>839</b>	<b>-24 168</b>
<b>VI. Money and its equivalents balance at the beginning of the year of account</b>	<b>4 086</b>	<b>28 254</b>
<b>VII. Money and its equivalents balance at the end of the year of account</b>	<b>4 925</b>	<b>4 086</b>

Cash flow statement is prepared according to indirect method in accordance with rules of The Cabinet of Ministers no. 481.  
The annex from 12 to 28 page is an integral part of this financial statement

April 29, 2016

Board:

Andris Krastiņš  
Chancellor of the Board

Jānis Mierkalns  
member of the Board

Evija Bīriņa  
member of the Board

Ilze Bukulde  
member of the Board

## Statement on the changes in own capital

	Share capital	Share premium	Reserves from revaluation of long-term investments	Other reserves	Previous years retained earnings	Retained profit/loss of the year of account	Total own capital
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
<b>December 31, 2013</b>	<b>550 845</b>	<b>2 827</b>	<b>1 110 312</b>	<b>3 732 314</b>	<b>2 161 133</b>	<b>105 762</b>	<b>7 663 193</b>
Adjustments for the transition to the euro	0	1	0	-1	8	0	8
Distribution of profit of the year 2013	0	0	0	0	105 762	-105 762	0
Investment revaluation reserve	0	0	489 745	0	0	0	489 745
Change in share capital	-8 855	0	0	8 855	0	0	0
Profit of the year of account	0	0	0	0	0	505 973	505 973
<b>December 31, 2014</b>	<b>541 990</b>	<b>2 828</b>	<b>1 600 057</b>	<b>3 741 168</b>	<b>2 266 903</b>	<b>505 973</b>	<b>8 658 919</b>
Distribution of profit of the year 2014	0	0	0	0	505 973	-505 973	0
Investment revaluation reserve	0	0	0	0	0	0	0
Profit of the year of account	0	0	0	0	0	-1 500 332	-1 500 332
<b>December 31, 2015</b>	<b>541 990</b>	<b>2 828</b>	<b>1 600 057</b>	<b>3 741 168</b>	<b>2 772 876</b>	<b>-1 500 332</b>	<b>7 158 587</b>

The annex from 12 to 28 page is an integral part of this financial statement

April 29, 2016

Board:

Andris Krastiņš Chancellor of the Board	Jānis Mierkalns member of the Board	Evija Bīriņa member of the Board	Ilze Bukulde member of the Board
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## Annex to the financial statement

### 1. Corporative information

Joint stock company „PATA Saldus” (hereinafter - the Company) was registered with the Republic of Latvia Enterprise Register on 26 August 1991 and with the Republic of Latvia Commercial Register on 8 May 2004. On 2 October 2015, the Joint Stock Company "Saldus mežrupniecība" has changed its name to Joint Stock Company "PATA Saldus", according to the decisions of Annual General Meeting of shareholders on 20 July 2015.

The Company mainly engaged in logging and wood processing.

### 2. Important accounting principles

#### *Basis of preparation*

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

The financial statements of JSC „PATA Saldus” is prepared in accordance with the Law on Accounting and Law on Annual Reports of the Republic of Latvia.

The financial statements are prepared on a historical cost basis. The monetary unit used in the financial statements is euro (EUR, the monetary unit of the Republic of Latvia). The financial statements cover the period 1 January 2015 through 31 December 2015.

#### *Use of calculations (continuation)*

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

#### *Decrease of the value of assets*

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

#### *Currency unit and Foreign currency translation*

All amounts in these financial statements are expressed in the Latvian national currency – euro (EUR). On the last day of the reporting year all monetary assets and liabilities were translated into euro in accordance with the rates published on the European Central Bank's website

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

#### *Intangible investment*

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

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

Company software licenses are stated at cost less accumulated amortization.

Amortization is calculated for the whole period of useful using the straight-line method. Costs associated with maintenance of the software are included as expenses in the income statement. See Paragraph 12 of the Annex.

### ***Property, plant and equipment***

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

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

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

Buildings, constructions 10-20 years

Machinery and equipment 2-15 years

Forestry machinery 3-5 years

Timber processing lines 3-15 years

Other fixed assets 2-10 years

Computing and data storage systems, software 2-5 years

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

- Machinery and equipment from 2-15 years (previously from 2-10 years);

- Timber processing lines from 3-15 years (previously from 3-10 years).

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

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

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

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

In accordance with the accounting policies - land of forests are valued using the revaluation method. A plot shall be performed on a regular basis depending on changes in fair value. If the asset (the land of forests), the revalued value is not significantly different from its balance sheets value, they are revalued every five years by ordering evaluation to the certified forests Appraiser. In case of radical changes in the real estate market valuation may be ordered more frequently. Over the last assessment made Ltd. VGG group of experts calculating the market value on April 29, 2014.

Movement of company property, plant and equipment is shown in the Paragraph 13 of the Annex.

### ***Biological assets***

In 2008 the company management decided to change accountancy politics for forest stands, complying with IAS 41 Agriculture. According to the new accountancy politic the forest stands are evaluated as biologic assets. The evaluation is based on the actual data from the State Forest Service (SFS). The forest stands are initially accounted at their purchase value, but after the first development the remaining part of the forest stand is accounted at its fair value. The fair value is determined by calculating the net present value of the cash flows from the biologic assets at 2015 applying discount rate of 8%. The felling area's cubic meter average purchasing price is set to be the average felling area's cubic meter price during 2015. The difference between the accounting value and the value established in reevaluation is recognized as income or outcome during the accounting period, depending whether the value has increased or decreased during the reevaluation. It appears in the profit and loss account as net turnaround or production costs of sales. Biologic assets which development are not possible in one year time are shown in the balance sheet as long-term investments (held with intention for sale) or as non-current assets

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### **Investments in subsidiaries**

Investments in subsidiaries (i.e. where the Company holds more than 50% interest of the share capital or otherwise controls the company) are stated in accordance with the cost method. Following initial recognition, investments in subsidiaries are carried at cost less any accumulated impairment losses. The carrying values of investments in subsidiaries are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The Company recognises income from the investment only to the extent that the Company receives distributions from accumulated profits of the investee arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognised as a reduction of the cost of the investment

### **Reserves**

#### *Unfinished products*

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

*Raw materials are accounted in their purchase costs.*

#### *Finished goods and goods for sale*

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

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

### **Debts of buyers and customers**

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

### **Cash and cash equivalents**

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

### **Accruals**

Accruals are acknowledged if the Company has an obligation (legal or arising from practise) caused by a past event or if there is a probability that in order to meet the liabilities the Company will have to use its funds and when it is possible to plausibly enough estimate the amounts of these liabilities. If the Company anticipates that expenditures needed to make accruals will be fully or partly paid back, refund of these expenditures is acknowledged as a separate asset only when it is practically clear that these expenditures will be refunded. Expenditures related to accruals in the profit or loss calculation are shown, except for the sums which will be needed to reimburse expenditures.

### **Credits and loans**

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

### **Property revaluation surplus**

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

### **Deferred income**

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

### **Lease**

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property. Lease payments are apportioned between the finance charges and reduction of the principal lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income as interest payments.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term and are accounted in the income statement for the whole lease period according to straight-line basis.

More detailed information on this finance lease is available in Note 24.

### **Income recognition**

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

#### *Rendering of services*

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

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

#### *Sale of goods*

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

#### *Interest*

Interest is recognised according to savings method.

#### *Dividends*

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

#### *Income from lease*

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

### **Corporate income tax**

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

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

### **Associated persons**

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

### **Possible liabilities and assets**

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

### Share capital

Company is a joint stock company. Company share capital is EUR 541 990. And consist of 387 136 public bearer shares. All shares are denominated and are dematerialised registered shares. More detailed information on spread of share capital is given in the Note 22.

### Accruals and deferred liabilities

Accrual and deferred liabilities are accounted for cost and expense to be recognised at the moment of occurrence.

### Events after the end of the year of account

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

### 3. Segments of the Company activities

The Company shows information through particular segments.

	Logging		Timber processing		Other		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Net turnover	3 157 348	7 487 688	31 092 939	41 643 003	2 525 900	2 094 159	36 776 187	51 224 851
Production costs of the sold production	-2 861 521	-7 289 354	-31 327 067	-39 667 574	-3 127 717	-2 090 915	-37 316 305	-49 047 843
Selling costs	-4 551	-5 123	-670	-34 441	-18 927	-5 486	-24 148	-45 050
General administration costs	-18 869	-7 099	-24 988	-16 955	-367 972	-345 636	-411 829	-369 691
Other income/expenditures from company's economic activity	33 741	36 579	-178 288	-149 505	16 934	-363 649	-127 613	-476 576
<b>Profit or loss from economic activity</b>	<b>306 148</b>	<b>222 691</b>	<b>-438 074</b>	<b>1 774 527</b>	<b>-971 782</b>	<b>-711 527</b>	<b>-1 103 708</b>	<b>1 285 691</b>
Other interset income/payments and the like income	-11 563	-7 482	-81 485	-191 428	-283 091	-328 218	-376 139	-527 128
Company's deferred income tax	0	0	0	0	-16 961	-232 275	0	-232 275
Other taxes	0	0	-8 067	-8 067	-12 418	-12 248	-20 485	-20 315
Income from segments activities	-150 496	39 733	-127 102	-309 836	277 598	270 103	0	0
<b>Profit or (loss)</b>	<b>144 089</b>	<b>254 942</b>	<b>-654 728</b>	<b>1 265 196</b>	<b>-1 006 654</b>	<b>-1 014 165</b>	<b>-1 500 332</b>	<b>505 973</b>
Segment assets	2 759 078	4 845 766	27 170 852	26 949 874	2 207 281	1 355 265	32 137 211	33 150 906
Segment liabilities	2 464 373	4 926 795	26 979 214	26 810 884	2 693 624	1 413 227	32 137 211	33 150 906

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

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

Segment descriptions:

#### Logging

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

#### Timber processing

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



*Other*

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

#### 4. Net turnover through geographical segments

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

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

#### 5. Production cost of products sold

	2015 EUR	2014 EUR
<u>Production cost of products sold</u>		
Salary of employees	2 189 144	2 285 180
Social insurance costs	527 207	533 294
Reserve for vacation pays	29 227	15 440
Depreciation of property, plant and equipment	1 391 149	2 270 271
Costs of purchase of materials	1 271 928	641 959
Stem fee (purchase of cutting rights)	1 113 276	5 060 679
Purchase costs of sawn timber	25 429 052	32 309 462
WIP inventory adjustment	-127 488	-266 646
Electricity and heating costs	1 354 035	1 514 071
Production related contractors expenses	1 473 284	2 044 536
Production equipment maintenance costs	705 978	814 347
Fuel costs	761 967	993 479
Revaluation of biological assets	198 812	-286 709
Production equipment maintenance costs	978 410	1 066 868
Other services received	20 324	51 612
	<b>37 316 305</b>	<b>49 047 843</b>

#### 6. Cost of sale

	2015 EUR	2014 EUR
Advertisement costs, market research, marketing	5 111	10 655
Transportation costs of goods	18 503	21 862
Other production costs	534	12 533
	<b>24 148</b>	<b>45 050</b>

## 7. General and administration costs

	2015	2014
	EUR	EUR
Salaries to employees	108 075	90 815
Social insurance costs	26 256	21 468
Unused vacation pay reserve	1 595	1 883
Depreciation of property, plant and equipment	60 498	49 843
Expense associated with maintenance of administration	46 027	49 885
Office maintenance costs	101 093	91 100
Annual report audit expenses	5 040	9 735
Banking expenses	63 245	54 962
	<b>411 829</b>	<b>369 691</b>

## 8. Other operating income and expense

	2015	2014
	EUR	EUR
<u>Other income</u>		
Net income from sale of fixed assets	57 744	404
Income from lease of fixed assets	145 023	133 844
Financing of the EU structural funds and LAD	14 204	18 507
	<b>216 971</b>	<b>152 755</b>
<u>Other expense</u>		
Dues paid for land plots used in production	10 647	10 972
Security costs	70 556	94 556
Employee training expenses	4 450	31 160
Provisions for doubtful accounts receivable	10 672	264 407
Other expense for provision of economic activities	248 259	228 236
	<b>344 584</b>	<b>629 331</b>

## 9. Financial income/ (expense), net

	2015	2014
	EUR	EUR
<u>Income</u>		
Income from the interest due	21 446	37 816
Other income	1 629	1 965
	<b>23 075</b>	<b>39 781</b>
<u>Expense</u>		
Currency exchange expenses	24 006	37 562
Exchange rate fluctuations expenses	17 911	153 145
Fines paid	32 302	24 905
Other expense	37 548	32 056
Loan interest calculated	280 823	319 241
Financial lease interest recognised	6 624	0
	<b>399 214</b>	<b>566 909</b>

#### 10. Deferred corporate income tax:

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

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

#### 11. Other taxes

	2015 EUR	2014 EUR
Real estate tax	20 485	20 315
	<b>20 485</b>	<b>20 315</b>

#### 12. Intangible investment

		Software
		EUR
<b>As at 31.12.2014.</b>		<b>120 947</b>
2015	Purchase	638
	Liquidity	0
	Impairment	0
<b>As at 31.12.2015</b>		<b>121 585</b>
<b>Amortisation accrued 31.12.2014.</b>		<b>84 246</b>
2015	Amortisation	13 579
	Amortisation of liquid assets	0
	Impairment	0
<b>Amortisation accrued 31.12.2015</b>		<b>97 825</b>
<b>As at 31.12.2014</b>		<b>36 701</b>
<b>As at 31.12.2015</b>		<b>23 760</b>
Amortisation rate (by linear method)		5 year

### 13. 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
<b>Accounting value 31.12.2014</b>		<b>7 973 492</b>	<b>17 293 339</b>	<b>237 824</b>	<b>2 596 177</b>	<b>0</b>	<b>28 100 832</b>
2015	Purchase	6 134	1 902 525	16 773	1 685 988	29 227	3 640 647
	Liquidity	0	-555 653	-11 234	0	0	-566 887
	Reconstruction	0	0	0	0	0	0
	Regrouping	0	0	0	0	0	0
<b>Accounting value 31.12.2015</b>		<b>7 979 626</b>	<b>18 640 211</b>	<b>243 363</b>	<b>4 282 165</b>	<b>29 227</b>	<b>31 174 592</b>
<b>Accured wear and tear 31.12.2014</b>		<b>2 009 637</b>	<b>7 614 831</b>	<b>160 326</b>	<b>0</b>	<b>0</b>	<b>9 784 794</b>
2015	Depreciation	339 648	1 063 488	34 932	0	0	1 438 068
	Depreciation of liquid assets	0	-551 314	-11 234	0	0	-562 548
	Regrouping	0	0	0	0	0	0
<b>Accured wear and tear 31.12.2015</b>		<b>2 349 285</b>	<b>8 127 005</b>	<b>184 025</b>	<b>0</b>	<b>0</b>	<b>10 660 315</b>
<b>Residual value 31.12.2014</b>		<b>5 963 855</b>	<b>9 678 507</b>	<b>77 498</b>	<b>2 596 177</b>	<b>0</b>	<b>18 316 037</b>
<b>Residual value 31.12.2015</b>		<b>5 630 341</b>	<b>10 513 206</b>	<b>59 338</b>	<b>4 282 165</b>	<b>29 227</b>	<b>20 514 277</b>

Amortisation rate  
(by linear method)

5-20 year

2-15 year

2-10 year

Cadastral value of lands and buildings of the company at the balance date amounts to 1 361 739 EUR.

### 14. Investment in related companies

	Shares owned %	Investment value	Additional contribution/ Impairment	Accounting value of investment as at 31.12.2015
		EUR	EUR	EUR
SIA Pakuļu sporta bāze	100	207 739	-155 328	52 411
ООО Салдус	100	7 385	0	7 385
ООО Деревообрабатывающий комбинат № 3	100	530 899	418 454	949 353
<b>total loans to related companies:</b>		<b>746 023</b>	<b>263 126</b>	<b>1 009 149</b>

Certified evaluator has made an assessment to subsidiar companies real estate on 28.04.2014 in total value EUR 1 728 899.

### 15. Investment in associated companies

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

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

Subsidiary enterprise loss of the account year 67 469 EUR.

## 16. Loans in related companies

	2015 EUR	2014 EUR
SIA Pakuļu sporta bāze	306 267	306 217
ООО «Салдус»	13 821	16 129
ООО «Деревообрабатывающий комбинат № 3»	638 268	647 209
<b>total loans to related companies:</b>	<b>958 356</b>	<b>969 555</b>
	2015 EUR	2014 EUR
<b>Accounting value as at 31.12.2014</b>	<b>969 555</b>	<b>1 012 392</b>
Amounts lendend in 2015 (+)	50	180 028
Deleted loan in 2015(-)	0	-180 840
Exchange rate fluctuations change	-11 249	-42 025
<b>Outstanding loan amount as at 31.12.2015</b>	<b>958 356</b>	<b>969 555</b>

Shareholder's equity of subsidiary enterprise at 31.12.2015 (862 294) EUR.

Subsidiary enterprise loss of the account year 190 956 EUR.

## 17. Inventories

	2015 EUR	2014 EUR
Materials, spare parts, inventory	88 261	104 192
Raw materials (round timber in forest and in mill)	1 575 818	2 585 458
<b>Total raw materials:</b>	<b>1 664 079</b>	<b>2 689 650</b>
Biological assets	<b>524 588</b>	<b>555 511</b>
Unfinished goods (in forest)	50 483	52 308
Timber in production	555 200	1 626 487
<b>Total unfinished goods:</b>	<b>605 683</b>	<b>1 678 795</b>
Ready sawn materials products	2 112 554	1 351 877
<b>Total ready products and goods for sale</b>	<b>2 112 554</b>	<b>1 351 877</b>
Advance payments for goods	<b>64 203</b>	<b>108 535</b>

No non-marketable stock was recorded as per inventory performed at 31.12.2015.

## 18. Trade receivables

	2015 EUR	2014 EUR
Accounting value of trade receivables	197 319	4 618 803
Debts of associated companies	3 210 498	361 065
Spread by currencies:		
EUR	3 317 761	
RUB	7 265 151	

Balance of trade receivables is reflected in the balance sheet in their net value. At the beginning of the reporting period, the balance of the provision for bad debts is EUR 273 608. In 2015 provisions for doubtful debts are made in amount of EUR 10 672. Provision for doubtful debts on 31.12.2015. is EUR 284 280. Bad debt provisions have been made based on assessment of financial status and operational activities of clients considering repayment of debts in accordance with agreements signed and potential for recovery of debt. Provisions are made for debtors which for duration of 2 years do not reply to verification notes and cannot be found at given addresses, which have not made any payments within a year, as well as debtors regarding which insolvency procedure has been started

## 19. Other debtors

	2015 EUR	2014 EUR
Surplus VAT payment	38 193	67 733
Guarantee payments made	4 237	4 237
Other debtors	0	41
<b>In total other debtors</b>	<b>42 430</b>	<b>72 011</b>

## 20. Expenditures of the next periods

	2015 EUR	2014 EUR
Insurance	18 453	14 976
Licence fees	304	1 455
Other	24 504	32 681
<b>In total expenditure of the next periods</b>	<b>43 261</b>	<b>49 112</b>

## 21. Money and its equivalents

	2015 EUR	2014 EUR
Money in accounts	4 925	4 086
<b>Money total</b>	<b>4 925</b>	<b>4 086</b>

2015			2014	
Currency division	Currency	EUR	Currency	EUR
	EUR	4925		3822
	USD	0		264
		<b>4 925</b>		<b>4 086</b>

## 22. Share capital, reserves and profit per share

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

	%	2015 EUR	2014 EUR
<b>Shares of closed issue</b>			
SIA Saldus mežrūpniecības uzņēmums	44.39	171 833	171 833
SIA Juridiskais birojs Merkants	0.00	0	105 327
SIA Pienjāņi	0.00	0	46 928
SIA JL Index	0.00	0	19 357
SIA Kubīt	27.21	105 327	0
SIA PATA	20.88	80 842	0
stockholders (each below 5%)	8.00	29 134	43 691
Shares of public offering *		387 136	61 167
<b>Total:</b>		<b>387 136</b>	<b>387 136</b>

	Number of shares	The value of the shares
31.12.2014	387 136	541 990
31.12.2015	387 136	541 990

\*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.

	2015 EUR	2014 EUR
Profit of the period of account	-1 500 332	505 973
Number of shares 31.12.2015	387 136	387 136
<b>Basic profit per share per year</b>	<b>-3.88</b>	<b>1.31</b>

### 23. Loans from credit institutions

	% rate in force	The repayment term	2015 EUR	2014 EUR
<b>Long-term:</b>				
Nordea Bank AB Latv. Fil creditline((2013-104-OD)	EONIA + 2.5%	20.05.2017	7 828 991	7 829 915
Nordea Bank AB Latv. Fil creditline(2011-150-OD)	EONIA + 2.4%	31.12.2016	0	1 498 556
Nordea Bank AB Latv. Fil creditline9(2011-150-OD)	EONIA + 2.4%	30.11.2016	688 911	748 650
Nordea Bank AB Latv. Fil (2012-85-A)	EURIBOR (12m) + 2.4%	31.07.2017	432 108	454 976
Nordea Bank AB Latv. Fil ((2012-84-A)	EURIBOR (12m) + 2.4%	31.07.2017	1 439 959	1 579 130
Nordea Bank AB Latv. Fil (2006/202/A	EURIBOR (3m) + 2.4%	28.02.2018	238 916	279 583
Nordea Bank AB Latv. Fil (2006-147-A)	EURIBOR (3m) + 2.4%	05.03.2018	124 447	145 613
Nordea Bank AB Latv. Fil (2014-169-A)	EURIBOR (1m) +1.5%	10.08.2019	1 783 321	1 375 410
JSC development financial institution Altum	EURIBOR (1m) +1.5%	26.08.2024	1 455 907	910 463
			<b>13 992 559</b>	<b>14 822 296</b>
<b>Short-term:</b>				
Nordea Bank AB Latv. Fil creditline(2010-139-OD)	EONIA + 2.4%	up to 12 mon.	1 580 671	499 992
Nordea Bank AB Latv. Fil creditline(2011-150-OD)	EONIA + 2.4%	up to 12 mon.	125 000	250 000
Nordea Bank AB Latv. Fil (2012-85-A)	EURIBOR (12m) + 2.4%	up to 12 mon.	45 735	91 470
Nordea Bank AB Latv. Fil (2012-84-A)	EURIBOR (12m) + 2.4%	up to 12 mon.	278 342	556 683
Nordea Bank AB Latv. Fil (2006/202/A	EURIBOR (3m) + 2.4%	up to 12 mon.	61 000	122 000
Nordea Bank AB Latv. Fil (2006-147-A)	EURIBOR (3m) + 2.4%	up to 12 mon.	31 750	63 500
Nordea Bank AB Latv. Fil (2014-169-A)	EURIBOR (1m) +1.5%	up to 12 mon.	334 373	0
			<b>2 456 871</b>	<b>1 583 645</b>
<b>Total</b>			<b>16 449 430</b>	<b>16 405 941</b>

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

### 24. Liabilities of financial lease and other loans

	% rate in force	2015 EUR	2014 EUR
<b>Short-term:</b>			
Nordea finance Latvija SIA	EURIBOR (12m) + 2%	862 120	0
Nordea finance Latvija SIA	EURIBOR (3m) + 2.4%	137 994	25 551
		<b>1 000 114</b>	<b>25 551</b>

### 25. Debts to suppliers and contractors

	2015 EUR	2014 EUR
Debts to suppliers and contractors	2 629 812	4 098 362
Debts to subsidiaries	377 083	0
	<b>3 006 895</b>	<b>4 098 362</b>



## 26. Taxes payable

	31.12.2014	Paid in 2015	Calculated in 2015	Fine	transferred to account	Taxes recognized as other taxes	31.12.2015
	EUR	EUR	EUR	EUR		EUR	EUR
Value Added Tax	67 733	27 800	-529 161	50	-4 077	-582 374	38 193
Personal Income Tax	-66 005	329 441	443 423	7 431	0	117 567	-69 850
State Social Insurance Mandatory Contributions	-19 266	289 100	799 813	651	0	464 790	-65 838
Natural Resources Tax	-142	144	142	0	0	-2	-142
Real Estate Tax	2	20 499	20 501	0	0	0	0
Risk duty	38	700	823	1	0	17	-69
<b>Total</b>	<b>-17 640</b>	<b>667 684</b>	<b>735 541</b>	<b>8 133</b>	<b>-4 077</b>	<b>-2</b>	<b>-97 706</b>
<b>Debt on taxes</b>	<b>-119 887</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-135 899</b>
<b>Overpayd taxes</b>	<b>31 428</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>38 193</b>

## 27. Other liabilities

	2015 EUR	2014 EUR
<u>Short-term</u>		
Salary payments	136 290	132 310
Contributions to private pension funds	3 042	3 042
Payments for deductions from wages	1 045	1 230
Advances	475	0
Advance payments to empyees	259	116
	<b>141 111</b>	<b>137 173</b>
<u>Long-term:</u>		
Nordea Finance Latvia SIA	363 729	108 771
Other creditors	1 246 667	1 246 667
	<b>1 610 396</b>	<b>1 355 438</b>

## 28. Accrued for holidays

	2015 EUR	2014 EUR
Accrued for holidays	213 657	244 479
	<b>213 657</b>	<b>244 479</b>

## 29. Accrued liabilities

	2015 EUR	2014 EUR
Accrued liabilities	115 682	107 650
	<b>115 682</b>	<b>107 650</b>

### 30. Incomes from the next periods.

	2015 EUR	2014 EUR
<b>Long-term:</b>		
Project No. APV-14-0014	422 837	0
Project No.L-APV-10-0015	1 660 020	1 566 885
	<b>2 082 857</b>	<b>1 566 886</b>
<b>Short-term</b>		
Project No. APV-14-0014	36 829	1 316
Project No.L-APV-10-0015	185 754	463 717
Other income	0	62
	<b>222 583</b>	<b>465 094</b>

### 31. Personnel costs

	2015 EUR	2014 EUR
<b>Average number of employees</b>	<b>182</b>	<b>198</b>
<b>Total personnel costs</b>		
Wages	2 327 501	2 317 848
Social tax	553 463	538 546
Unemployment risk due	823	877
	<b>2 881 787</b>	<b>2 857 271</b>
including:		
wages of production workers		
wages	2 217 831	2 247 283
social tax	527 207	522 299
unemployment risk due	792	851
	<b>2 745 830</b>	<b>2 770 433</b>
administration wages		
wages	87 844	70 565
social tax	21 107	16 247
Unemployment risk due	27	26
	<b>108 978</b>	<b>86 838</b>
incl. remuneration to company management - board		
wages	21 826	75 470
Social tax	5 149	16 216
Unemployment risk due	4	9
	<b>26 979</b>	<b>91 695</b>

## 32. Transactions with associated persons

Subsidiary	Type of transaction		Income from subsidiaries	Debts of subsidiaries	Credits to subsidiaries
			EUR	EUR	EUR
OOO Saldus	debt and sales of ready production	2014	671	107 010	0
		2015	45 269	92 261	0
OOO DOK Nr.3	debt and sales of ready production	2014	23 065	917 392	0
		2015	20 885	927 292	0
SIA Pakuļu sporta bāze	debt and sales of ready production	2014	14 080	330 905	0
		2015	0	306 267	0
SIA Pata	debt and sales of ready production	2014	48 470 811	4 018 726	235 815
		2015	35 079 861	2 843 034	377 083
SIA PATA Kokmateriāli	debt and sales of ready production	2014	19270	1 757	0
		2015	23700	4 008	0
SIA Saldus Energija	debt and sales of ready production	2014	1 021 514	371 147	0
		2015	1 189 621	0	28 381
Managēment	loan	2014	0	0	588 333
		2015	0	0	588 333
		<b>2014</b>	<b>49 549 411</b>	<b>5 746 937</b>	<b>824 148</b>
		<b>2015</b>	<b>36 359 336</b>	<b>4 172 861</b>	<b>993 797</b>

## 33. Expenditures due to the environment protection

The basic economic activity of the Company 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 Company 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.

## 34. Financial instruments

The main financial instruments of the Company 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 Company's economic activity. Also, the Company 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 Company's financial instruments are: credit risk, currency risk, interest risk and liquidity risk.

#### Credit risk

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

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

***Interest risk***

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

The management of the Company think that the financial assets and liabilities of the Company on December 31, 2015 were not subjected to any important interest rate risks as the deviance from the real value of particular financial assets and liabilities was not significant.

***Liquidity risk***

The Company is controlling its liquidity risk by securing relevant financing, by using credit lines.

***Real value***

All financial assets and liabilities of the Company 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.

**35. 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.

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## **Auditor's statement**

**To the Shareholders of AS PATA SALDUS**

**Report on the Financial Statements**

We have audited the accompanying financial statements of AS Pata Saldus set out on pages 7 to 28 of the accompanying annual report, which comprise the balance sheet as of 31 December 2015 and the profit and loss account and the statements of changes in equity and 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 is responsible for the preparation and fair presentation of these financial statements in accordance with the Law of the Republic of Latvia on Annual Reports, 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 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 financial statements give a true and fair view of the financial position of AS Pata Saldus as of 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with the Law of the Republic of Latvia on Annual Reports.

**Report on Other Legal and Regulatory Requirements**

We have read the management report for 2015 set out on page 5 of the accompanying annual report for 2015 and did not identify material inconsistencies between the financial information contained in the management report and that contained in the financial statements for 2015.

Zverinātas revidentes S.Kolesnikovas birojs SIA  
Audit company licence No. 127  
Svetlana Koļesņikova  
Certified auditor, Certificate No. 22, Member of the Board

Rīga, 29<sup>th</sup> April, 2016

