

JOINT STOCK COMPANY "PATA SILDUS"

ANNUAL REPORT

for the 12 months period started on 1 January 2018 and ended 31 December 2018

Sildus, 2019

CONTENTS

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

General Information	3 - 4
Report of the Management	5 - 8
Financial statements	
Income statement	9
Balance sheet	10 - 11
Statement of changes in equity	12
Cash flow statement	13
Notes to the financial statements	14 - 30
Independent Auditor's Report	31

INFORMATION ON THE COMPANY

Name of the company	Joint Stock Company "PATA Saldus"
Legal status of the company	Joint Stock Company
Number, place and date of registration	Commercial register No 40003020121 August 26, 1991, Riga
Address	Kuldīgas iela 86C, Saldus novads Saldus, LV-3801 Latvia
Type of operations	Forestry, commercial timber preparation and related services: production of board lumber, etc. NACE 2.red. 1610 - sawmilling and planing of wood
Members of the Board	Andris Krastiņš - Chairman of the board (till February 21, 2019) Gatis Zommers - Chairman of the board (since February 21, 2019) Jānis Mierkalns - member of the board Ilze Bukulde - member of the board Gatis Zommers - member of the board (till February 21, 2019) Arvis Tone - member of the board (since February 21, 2019)
Members of the Council	Uldis Mierkalns - Chairman of the Council Jānis Bertrāns - Deputy Chairman of the Council Inga Mierkalna - member of the Council Ieva Sniedze - member of the Council
Subsidiary enterprise	
1. Name of the company	PAKULI SPORTS PREMISES (PAKUĻU SPORTA BĀZE) (100%)
Legal status of the company	Limited Liability Company
NUMBER AND DATE OF REGISTRATION IN THE	48503009010, November 21, 2002
Address	"Mežvidi", Novadnieku pag., Saldus novads, LV-3801
The main areas of activities of the company	Other sports activities
Owner of the company	PATA Saldus (PATA Saldus), JSC – 100%
Reporting year	January 1 – December 31, 2018
2. Name of the company	Woodworking Centre No.3 (Деревообрабатывающий комбинат № 3) (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, 2018

AKCIJU SABIEDRĪBA "PATA SILDUS"
Vienotais reģistrācijas Nr. 40003020121, Kuldīgas iela 86C, Saldus, Saldus novads, LV-3801
GADA PĀRSKATS par 12 mēnešu periodu no 2018.gada 1.janvāra līdz 2018.gada 31.decembrim

Associated enterprise	
1. Name of the company	SALDUS ENERGY (SALDUS ENERĢIJA) (20%)
Legal status of the company	Limited Liability Company
NUMBER AND DATE OF REGISTRATION IN THE	40103265702, December 22, 2009
Address	Cesu street (Cēsu iela) 14, Riga (Rīga), LV-1012
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, 2018
Parent company	
1. Name of the company	PATA (PATA) (67%)
Legal status of the company	Limited Liability Company
NUMBER AND DATE OF REGISTRATION IN THE	40003448619, June 10, 1999
Address	Miera iela 2 (Miera iela 2), Incukalns (Inčukalns), LV-1004
The main areas of activities of the company	Wholesale of wood, silviculture and other forestry activities.
Owner of the company	Uldis Mierkalns (Uldis Mierkalns) – 100%
Reporting year	January 1 – December 31, 2018
Financial year	1 January, 2017 - 31 December, 2018
Name and address of the Auditor	Nexia Audit Advice LLC Certified Auditor's Licence No. 134 Number of registration No. 40003858822 Grecinieku iela 9-3 (Grēcinieku iela 9-3) Riga (Rīga), LV-1004 Latvia Certified Auditor Marija Jansone LZRA Certificate No. 25

According to the Register of Enterprises of the Republic of Latvia decision Nr.6-12/21838 from 21.02.2019 JSC PATA Saldus has recorded the following changes in the Board:

- Released Chairman of the Board: Andris Krastins (Andris Krastiņš)
- Appointed member of the Board: Arvis Tone (Arvis Tone)
- Changed the position "Member of the Board" to "Chairman of the Board": Gatis Zommers (Gatis Zommers)

Management Report

To Annual Report of economic activity for 2018

Type of operations

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

Performance of the Company during the financial year

JSC PATA Saldus profit from operating activities in 2018 was EUR 5 300 866 with a net turnover of EUR 69 146 094, which represents earnings per weighted average of ordinary shares in issued of 11.81 EUR. The Company's financial statements have been prepared based on the information available to board, existing laws and regulations, that gives a true and fair view of assets, liabilities, financial position and profit or loss that is generated by the Company and consolidated group. The report contains true information.

Financial results of the Company's commercial activity and financial standing of the Company

The analysis of the Company's annual financial statements shows, that consolidated statement of financial position total is EUR 41 964 451. Non-current assets comprise 53% of the statement of financial position total, of which 91% (EUR 20 071 316) comprise of property, plant and equipment. Equity comprises 37% (EUR 15 655 979) of the statement of financial position total. Non-current liabilities comprise 36% (EUR 15 160 044) of the statement of financial position total, while current liabilities comprise 27% (EUR 11 148 428).

The analysis of the Company's annual income statement shows, that the revenue of the Company for 2018 is EUR 69 146 094, the cost of sales is EUR 62 735 882, so that the gross profit amounts to EUR 6 410 212 and net profit amounts to EUR 5 300 866.

Calculation of financial results

	2018	2017
Items of the Company's annual income statement	EUR	EUR
Revenue	69 146 094	50 916 550
Gross profit	6 410 212	3 724 323
Profit for the year	5 300 866	2 798 757

	31.12.2018	31.12.2017
Items of the Company's income statement of financial position	EUR	EUR
Current assets	19 868 229	12 666 386
Total assets	41 964 451	35 436 536
Equity	15 655 979	10 501 128
Current liabilities	11 148 428	7 747 475
Total liabilities	26 308 472	24 935 408

Company's financial ratios	2018	2017
Profitability analysis - profitability ratios analyse the effectiveness of the Company's management decisions to fulfil financial tasks		
Gross margin (gross profit / revenue)	9.27%	7.31%
<i>The gross margin ratio shows the ratio of sales to direct costs. The Company uses this indicator to calculate the extent to which changes in revenue affect gross profit.</i>		
Commercial profitability ratio (profit for the year / revenue)	7.67%	5.50%
<i>The Company uses this ratio to determine the Company's ability to generate profits.</i>		
	2018	2017
Return on Equity (Profit for the year / Equity)	33.86%	26.65%
<i>The return on equity shows how effectively the capital invested by the Company's owners is used. The Company uses this indicator to determine how much a potential investor will earn from each of its invested euro.</i>		
Return on Assets (Profit for the year / Total assets)	12.63%	7.90%
<i>The Company uses this ratio to calculate the return on total assets used by the Company for its economic activities.</i>		
	31.12.2018	31.12.2017
Capital structure analysis - capital structure indicators analyze the Company's capital structure and show how many additional liabilities the Company is able to assume.		
Financial Balance Rate (Total assets / Equity)	2.68	3.37
<i>The Company uses this ratio to determine the proportion of cash invested by the Company's owners in the Company's assets.</i>		
Liabilities to Equity (Total liabilities / Equity)	1.68	2.37
<i>The Company uses this ratio to determine to what extent the Company is dependent on borrowed capital.</i>		
Debt to assets ratio (Total liabilities / Total assets)	0.63	0.70
<i>The Company uses this ratio to determine the Company's long-term and short-term liabilities to total assets.</i>		
Liquidity analysis - Liquidity indicators consider the Company's short-term financial performance and liquidity and give an idea of whether the Company is able to settle its current liabilities in a timely and complete manner.		
Current liquidity ratio (Current assets / Current liabilities)	1.78	1.63

The Company uses this ratio to calculate the extent to which the Company's current assets are capable of covering short-term liabilities.

Financial performance indicators show that the Company is able to settle its obligations, as well as the fact that the Company has sufficient material provision for the further development of business.

Environment protection

The core 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 SIA Zaļā josta 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 AS BAO, 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.

Financial risk management

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

The policy of financial risk management of the Company is described on annex 42.

Subsequent events

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

Future prospects

In 2019, the Company will continue to develop and expand environmentally friendly logging according to FSC and PEFC Forest Management and Wood Flow Certificate requirements.

In 2019, it is planned to expand its activities by installing additional timber drying plants with recuperation, where for heating renewable energy will be used.

The Company will continue to work on raising employee satisfaction and loyalty, which will improve the efficiency of work, increase productivity, increase customer satisfaction, thus leading to an improvement in the overall financial performance of the Company.

Report on corporate governance

Report on corporate governance for 2018 is electronically publicly available on Nasdaq Riga corporate website: <http://www.nasdaqbaltic.com/market/>.

Saldus, April 29, 2019

Board:

Gatis Zommers
Chairman of the Board

Jānis Mierkalns
Member of the Board

Ilze Bukulde
Member of the Board

Arvis Tone
Member of the Board

Statement of Management Responsibility

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

The Management confirms that, in preparing this report for the period ending on 31 December 2018, 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.

Report on corporate governance for 2018 is electronically publicly available on Nasdaq Riga corporate website: <http://www.nasdaqbaltic.com/market/>.

Gatis Zommers
Chairman of the board

Saldus, 29 April 2019

Jānis Mierkalns
board member
Ilze Bukulde
board member
Arvis Tone
board member

INCOME STATEMENT

	Notes	2018 EUR	2017 EUR
Revenue	(2)	69 146 094	50 916 550
Costs of goods sold or services provided	(3)	(62 735 882)	(47 192 227)
Gross profit or losses		6 410 212	3 724 323
Distribution expenses	(4)	(20 575)	(10 373)
Administrative expenses	(5)	(400 127)	(455 067)
Other operating income	(6)	849 248	1 036 850
Other operating expenses	(7)	(1 115 452)	(1 011 399)
Interest and similar income	(8)	2 565	3 319
incl.			
<i>a) from group companies</i>		2 565	3 250
<i>a) from other parties</i>		0	69
Interest and similar expenses	(9)	(322 058)	(328 739)
incl.			
<i>b) for other parties</i>		(322 058)	(328 739)
Profit or losses before corporate income tax		5 403 813	2 958 914
Corporate income tax for the financial year	(10)	(6 806)	(64 016)
Profit or losses after corporate income tax		5 397 007	2 894 898
Changes in deferred tax assets or liabilities	(10)	(96 141)	(96 141)
Profit or losses for the financial year		5 300 866	2 798 757
		11,81	6,76

Notes on pages 14 to 30 are an integral part of these financial statements.

Gatis Zommers
Chairman of the board

Inga Siliņa
Chief Accountant

Saldus, 29 April 2019

Jānis Mierkalns
board member
Ilze Bukulde
board member
Arvis Tone
board member

BALANCE SHEET

		31.12.2018. EUR	31.12.2017. EUR
	Notes		
<u>ASSETS</u>			
Non-current assets			
Intangible assets			
Concessions, patents, licenses, trademarks and similar rights	(11)	17 864	19 502
Total intangible assets:		17 864	19 502
Fixed assets:			
Immovable properties			
a) land plots, buildings and engineering structures	(12)	6 063 240	6 228 830
Fauna and flora:			
b) biological assets	(12)	767 702	862 816
Technological equipment and machinery	(12)	12 565 359	11 766 742
Other fixed assets	(12)	84 937	70 983
Fixed assets under development and construction in progress	(12)	590 078	1 722 773
Total fixed assets:		20 071 316	20 652 144
Non-current financial investments:			
Investments in group companies	(13)	1 009 149	1 009 149
Receivables from group companies	(19)	700 929	696 250
Participation in capital of associates	(13)	8 540	8 540
Deferred tax assets	(10)	288 424	384 565
Total non-current financial investments:		2 007 042	2 098 504
Total non-current assets:		22 096 222	22 770 150
Current assets			
Inventories:			
Raw materials and consumables	(14)	4 436 973	2 069 681
Work in progress	(15)	1 387 671	1 603 943
Finished goods and goods for sale	(16)	1 591 771	1 077 796
Fauna and flora			
b) biological assets		1 562 576	1 085 082
Advances for inventories	(17)	486 756	51 004
Total inventories:		9 465 747	5 887 506
Account receivable:			
Trade receivables	(18)	424 660	177 087
Receivables from group companies	(19)	8 934 184	6 019 719
Receivables from associates	(20)	451 228	20 729
Other receivables	(21)	261 891	176 804
Deferred expenses	(22)	330 383	270 058
Total receivables:		10 402 346	6 664 397
Cash and bank:	(23)	136	114 483
Total current assets:		19 868 229	12 666 386
<u>Total assets</u>		<u>41 964 451</u>	<u>35 436 536</u>

Notes on pages 14 to 30 are an integral part of these financial statements.

BALANCE SHEET

		31.12.2018. EUR	31.12.2017. EUR
	Notes		
<u>EQUITY, PROVISIONS AND LIABILITIES</u>			
Equity			
Share capital	(24)	579 916	579 916
Share premium	(24)	2 828	2 828
Non-current investments revaluation reserve	(12)	1 370 057	1 370 057
Reserves:			
f) other reserves	(25)	3 741 168	3 741 168
Retained earnings or uncovered losses brought forward from previous years	(26)	4 661 144	2 008 402
Current year profit or losses	(26)	5 300 866	2 798 757
Total equity:		15 655 979	10 501 128
Liabilities:			
Non-current liabilities:			
Loans from banks	(27)	10 510 016	12 526 539
Other borrowings	(28)	2 656 272	2 972 289
Deferred income	(34)	1 993 756	1 689 105
Total non-current liabilities:		15 160 044	17 187 933
Current liabilities:			
Loans from banks	(27)	2 236 011	1 421 411
Other borrowings	(28)	1 058 144	1 158 353
Advances from customers	(29)	409	980
Trade payables	(30)	5 892 088	3 902 548
Payables to group companies	(31)	0	155 467
Payables to associates	(40)	621 352	0
Taxes and state social insurance payments	(32)	248 212	247 318
Other creditors	(33)	260 079	189 104
Deferred income	(34)	261 880	222 583
Accrued liabilities	(35)	570 253	449 711
Total current liabilities:		11 148 428	7 747 475
Total liabilities:		26 308 471	24 935 408
<u>Total equity, provisions and liabilities</u>		<u>41 964 450</u>	<u>35 436 536</u>

Notes on pages 14 to 30 are an integral part of these financial statements.

Gatis Zommers
Chairman of the board

Inga Siliņa
Chief Accountant

Saldus, 29 April 2019

Jānis Mierkalns
board member
Ilze Bukulde
board member
Arvis Tone
board member

STATEMENT OF CHANGES IN EQUITY

	2018 EUR	2017 EUR
Notes		
Share capital		
Opening balance	579 916	579 916
Closing balance	<u>579 916</u>	<u>579 916</u>
Stock (share) premium account		
Opening balance	2 828	2 828
Closing balance	<u>2 828</u>	<u>2 828</u>
Non-current investment revaluation reserve		
Opening balance	1 370 057	1 370 057
Closing balance	<u>1 370 057</u>	<u>1 370 057</u>
Reserves		
Opening balance	3 741 168	3 741 168
Closing balance	<u>3 741 168</u>	<u>3 741 168</u>
Retained earnings		
Opening balance	4 661 144	2 008 402
Increase/decrease in retained earnings for the financial year	5 300 866	2 798 757
Closing balance	<u>9 962 010</u>	<u>4 807 159</u>
Equity		
Opening balance	10 501 128	7 702 371
Closing balance	<u><u>15 655 979</u></u>	<u><u>10 501 128</u></u>

Notes on pages 14 to 30 are an integral part of these financial statements.

 Gatis Zommers
 Chairman of the board

 Inga Siliņa
 Chief Accountant

Saldus, 29 April 2019

 Jānis Mierkalns
 board member
 Ilze Bukulde
 board member
 Arvis Tone
 board member

CASH FLOW STATEMENT

	2018 EUR	2017 EUR
Notes		
Cash flow from operating activities	5 403 813	2 958 914
Profit or losses before corporate income tax		
<u>Adjustments for:</u>		
depreciation and impairment of fixed assets	2 063 546	1 789 303
depreciation and impairment of intangible assets	15 730	14 666
gain or losses from fluctuations of foreign currency rates	28 831	13 448
interest and similar revenue	(2 565)	(3 250)
impairment of non-current and current financial investments	(245 506)	(222 587)
interest and similar expenses	322 058	328 106
Profit or loss prior to changes in current assets and current liabilities	7 585 907	4 878 600
Increase or decrease of account receivable	(3 747 062)	(1 839 501)
Increase or decrease of inventory	(3 578 241)	(181 750)
Increase or decrease of account payables and other liabilities	1 511 764	(55 199)
Gross cash flow generated from operating activities	1 772 368	2 802 150
Interest payments	(322 433)	(328 189)
Corporate income tax payments	(6 806)	(64 016)
Net cash flow generated from operating activities	1 443 129	2 409 945
Cash flow from investing activities		
Acquisition of fixed and intangible assets	(698 472)	(3 042 801)
Proceeds from sale of fixed and intangible assets	35 601	1 065 926
Loans issued	(18 665)	(28 352)
Net cash flow generated from investing activities	(681 536)	(2 005 227)
Cash flow from financing activities		
Loans received	948 762	1 620 113
Subsidies, grants, gifts or donations received	589 457	0
Repayment of loans	(2 150 686)	(1 706 114)
Finance lease payments	(117 458)	(204 545)
Dividends paid	(146 015)	0
Net cash flow generated from financing activities	(875 940)	(290 546)
Net cash flow in the financial year	(114 347)	114 172
Cash and cash equivalents at the beginning of the financial year	114 483	311
Cash and cash equivalents at the end of the financial year	136	114 483

Notes on pages 14 to 30 are an integral part of these financial statements.

Gatis Zommers
Chairman of the board

Inga Siliņa
Chief Accountant

Saldus, 29 April 2019

Jānis Mierkalns
board member
Ilze Bukulde
board member
Arvis Tone
board member

NOTES TO THE FINANCIAL STATEMENTS

(1) Summary of accounting policies

General principles

Financial report has been prepared in accordance with Latvian law "On Accounting" and Law of annual financial statements and annual consolidated financial statements (the Law), as well as in accordance with Cabinet of Ministers rules No. 775 "rules of annual financial statements and consolidated annual financial statements law application." Derogating from the principles of the Law of annual financial statements and annual consolidated financial statements, the Company recognizes, values, presents biological assets in the financial statements in accordance with International Accounting Standard No. The financial statements have been prepared according to the historical cost accounting principle. The income statement is prepared in accordance with the function of expense method. The cash flow statement has been prepared under indirect cash flow method. The financial statements provide a true and fair view of the Company's assets, liabilities, financial position and profit or loss.

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

General accounting principles

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

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

Foreign currency conversion in euro

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

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

	31.12.2018.	31.12.2017.
	EUR	EUR
1 USD	0,8734	0,8338
1 RUB	0,0125	0,0144
1 SEK	0,0975	0,1016

Income recognition and revenue

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

Income is recognized according to the following principles:

- Sales of goods - after significant ownership risk and rewards have been passed to the buyer;
- Rendering of services - under the percentage of completion method;
- Income from fines and penalties - at the moment when payment is received;
- Interest income - on an accrual basis;
- Dividends - at the moment of acquiring legal rights to receive them.

Intangible investments and fixed assets

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

The difference arising from revaluation is recognized in equity under "Non-current investment revaluation reserve", however value reduction is written-off from value increase that was recognised in reserve during prior years. Surplus is included in income statement. In case of disposal or liquidation of fixed assets, the reserves are written-off to the Income statement in full amount.

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

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

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

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

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

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

Biological assets

The Company has decided, that forest stands should be considered as biological assets. Biological assets are accounted and evaluated in accordance with IAS 41 "Agriculture" requirements. Forest stands initially are recognised in their cost value, however after primary developments remaining part is recognised in its fair value. Fair value is determined by expressing net present value of biological asset as at 2018 by applying 8% discount rate. Average price for purchased felling site m3 in 2018 was calculated by taking into consideration cost of felling site m3 and costs associated to purchase it. Difference between carrying value and value set after revaluation is recognised as income or expenses depending whether value of asset is increased or decreased after revaluation. Result is disclosed in profit or loss statement under cost of goods sold. Biological assets that can't be developed within a year are disclosed in balance sheet under Fixed asset in separate position, that is called Biological assets. Biological assets that are predicted to be developed within a year are disclosed under Inventories in separate position, that is called Biological assets.

Capitalization of borrowing and other costs

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

Research and development costs

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

Investments in subsidiaries, associates and other entities

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

Inventories

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

Long - term investments held for sale

An entity should classify a noncurrent asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing of use. For this to be 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. The company recognizes revenue for any subsequent increase in fair value less costs of asset sale, but not exceeding the accumulated impairment losses recognized in previous periods. Long-term investments are considered as assets held for sale, if they are prepared for immediate sale, the company's management has decided to sell these assets and have started active implementation of this decision. Fixed assets held for sale are valued at fair value, less costs of sale.

Account receivable

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

Prepaid expenses and deferred income

Payments made before the balance sheet date, but relating to subsequent years, are shown under "Prepaid expenses". Payments received before the balance sheet date, but relating to the following year or subsequent years, are shown as deferred income.

Borrowings and loans

Loans and borrowings are initially recognized at their initial value, which is determined by adding to the fair value of the loan or borrowing amount the costs related to the receipt of the loan or deducting the costs related to the issue of the loan. Borrowings are recognized in the value of funds received, net of transaction costs incurred.

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

Provisions, contingent liabilities and assets

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

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

Accrued liabilities

Accrued liabilities recognize clearly known amounts of liabilities to suppliers and contractors for goods or services received during the reporting year for which for other reasons the corresponding source document (invoice) for payment has not yet been received at the balance sheet date.

Accrued liabilities for unused annual leave

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

Grants and government assistance

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

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

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

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

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

a) Corporate income tax for the financial year

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

Deferred tax

In the context of the change in corporate tax regulations, the procedure for calculating corporate income tax has completely changed and the basis for calculating deferred tax assets has disappeared. In order to ensure compliance with the requirement of a true and fair view of the law, the impact of corporate income tax reform in the financial report is reflected by the company as follows:

- preparing an annual report for the reporting year in which it became known that in the next reporting year the new corporate income tax regulation as a result of the corporate income tax reform would continue to apply insofar as this would not be in conflict with the Company's annual report preparation rules and taking into account the new corporate income tax regulations the provisions for covering uncovered losses of previous years is gradually written off from the balance of deferred tax asset balances calculated on the basis of the provisions of the previous corporate income tax provisions for covering tax losses. The amounts of deferred tax assets excluded from the balance sheet are shown in the income statement line "Revenue or charges from changes in deferred tax assets or liabilities".

Share premium

If the new issued shares are sold at a value higher than their nominal value, the Company will receive a positive mark-up. If they are sold at a lower value, the Company shows the negative value in the same item with a minus sign.

Cash and cash equivalents

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

Group companies

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

Associates

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

Related parties

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

Subsequent events

Post-year-end events that provide additional information about the Company's position at the statement of financial position date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

(2) Revenue	2018 EUR	2017 EUR
a) By operating activities		
Income from forestry (NACE2 02.20)	11 221 238	5 488 411
Income from timber processing (NACE2 16.10)	55 169 271	44 050 678
Income from freight forwarding (NACE2 49.41)	2 692 744	1 329 020
Income from equipment, premises and territory management (NACE2 81.10)	62 841	48 441
	<u>69 146 094</u>	<u>50 916 550</u>
b) By location		
Income from sales of goods/services in Latvia	69 113 412	50 911 942
Income from sales of goods/services to Lithuania	32 682	4 608
	<u>69 146 094</u>	<u>50 916 550</u>
 (3) Costs of goods sold or services provided		
	2018 EUR	2017 EUR
Purchase of costs of goods sold	976 170	1 150 484
Raw materials and consumables	6 919 069	2 603 222
Purchase of felling rights	39 413 618	32 002 584
Correction for unfinished production inventory	167 602	18 554
Subcontractors' services, outsourced works and services	2 415 564	1 369 493
Woodworking equipment maintenance costs	711 129	667 147
Woodworking and forest equipment maintenance costs	935 310	721 376
Fuel costs	1 240 361	938 936
Revaluation of biological assets	(597 414)	(573 547)
Utility expenses	1 988 686	1 716 376
Salary expenses	4 018 485	2 863 787
State mandatory social insurance contributions	1 034 807	739 981
Accrual for unused vacations	445 583	336 173
Depreciation of intangible and fixed assets	1 932 394	1 841 532
Real estate tax	20 100	19 915
Lease payment for wood processing, forestry machinery and equipment	624 316	307 768
Other services received	387 874	385 502
	<u>62 633 654</u>	<u>47 109 283</u>

(4) Distribution expenses	2018 EUR	2017 EUR
Advertising, market research and marketing costs	6 567	285
Freight forwarding expenses	14 008	10 088
	<u>20 575</u>	<u>10 373</u>
 (5) Administrative expenses	 2018 EUR	 2017 EUR
Salary expenses	121 420	127 164
State mandatory social insurance contributions	32 034	32 131
Accrual for unused vacations	9 730	9 625
Office expenses	33 944	37 206
Bank services	65 867	85 990
Depreciation of intangible and fixed assets	51 768	58 134
Real estate tax	2 157	2 157
Financial statement audit expenses	8 800	8 800
Administration department vehicle expenses	14 771	20 975
Other administrative expenses	48 111	65 398
Legal services	11 525	7 487
	<u>400 127</u>	<u>455 067</u>
 (6) Other operating income	 2018 EUR	 2017 EUR
Income from disposal of intangible and fixed assets	35 601	1 062 176
Net carrying value of intangible and fixed assets at the moment of disposal	(52)	(1 060 232)
Rental income	86 272	90 911
Depreciation of deferred income (see also Note 34)	245 506	222 583
Co-financing from Rural Support Service and EU structural funds	37 611	21 572
Other income	444 310	699 840
	<u>813 699</u>	<u>1 034 906</u>
 (7) Other operating expenses	 2018 EUR	 2017 EUR
Provisions for doubtful and bad receivables	0	318 670
Rent on real estate	374 840	0
Net losses from currency exchange rate fluctuations	4 645	7 178
Security service costs	15 322	83 502
Utilities and maintenance costs	28 831	13 448
Insurance payments	83 450	21 863
Employee training expenses	158 856	175 678
Health Insurance	39 053	36 713
Penalties paid	18 265	20 466
Other expenses	59 588	57 501
	51 921	43 867
	19 188	15 488
	54 754	0
	6 000	0
	200 739	217 025
	<u>1 115 452</u>	<u>1 011 399</u>

(8) Interest and similar income

a) from group companies	2018 EUR	2017 EUR
Other interest income	2 565	3 250
	<u>2 565</u>	<u>3 250</u>
b) from other parties		
Other interest income	0	69
	<u>0</u>	<u>69</u>

(9) Interest and similar expenses

b) from other parties		
Interest charge	322 058	328 189
Other expenses	0	550
	<u>322 058</u>	<u>328 739</u>
Total interest and similar expenses	<u>322 058</u>	<u>328 739</u>

(10) Corporate income tax

a) Components of corporate income tax	2018 EUR	2017 EUR
Corporate income tax according to the tax return	6 806	64 016
	<u>6 806</u>	<u>64 016</u>

b) Movement and components of deferred tax

Deferred tax liabilities (asset) at the beginning of the financial year	384 565	480 706
Deferred tax charged to the income statement	(96 141)	(96 141)
Deferred tax liabilities (asset) at the end of the financial year	288 424	384 565

On the basis of amendments to Cabinet Regulation No. 22 of December 22, 2015. 775 "Regulations on the Application of the Law of annual financial statements and annual consolidated financial statements", paragraph 35.1, the Company writes off EUR 96 141 from the Deferred Tax Assets and reduces the retained earnings for that amount for the reporting year.

(11) Intangible assets

	Concessions, patents, licenses, trade marks and similar rights	Total		Concessions, patents, licenses, trade marks and similar rights	Total
	EUR	EUR		EUR	
Initial cost			Initial cost		
31.12.2017	69 655	69 655	31.12.2016	57 137	57 137
Purchase	14 092	14 092	Purchase	15 043	15 043
Disposals	(1 564)	(1 564)	Disposals	(2 525)	(2 525)
31.12.2018	82 183	82 183	31.12.2017	69 655	69 655
Depreciation			Depreciation		
31.12.2017	(50 153)	(50 153)	31.12.2016	(38 012)	(38 012)
Calculated	(15 730)	(15 730)	Calculated	(14 666)	(14 666)
Disposals	1 564	1 564	Disposals	2 525	2 525
31.12.2018	(64 319)	(64 319)	31.12.2017	(50 153)	(50 153)
Net carrying amount 31.12.2017	19 502	19 502	Net carrying amount 31.12.2016	19 125	19 125
Net carrying amount 31.12.2018	17 864	17 864	Net carrying amount 31.12.2017	19 502	19 502

	Land plots, buildings and engineering structures	Biological Assets	Technological equipment and machinery	Other fixed assets	Fixed assets under development and construction in progress	Advances for fixed assets	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Initial cost							
31.12.2016	9 308 122	765 836	22 248 670	258 643	3 000	0	32 584 271
Purchase/ increased value	47 038	96 980	149 042	53 735	1 719 773	0	2 066 568
Disposals	0	0	(112 153)	(10 954)	0	0	(123 107)
Reclassification between other asset items	0	0	0	0	0	0	0
31.12.2017	9 355 160	862 816	22 285 559	301 424	1 722 773	0	34 527 732
Depreciation							
31.12.2016	(2 720 131)	0	(9 190 076)	(202 826)	0	0	(12 113 033)
Calculated	(406 199)	0	(1 440 894)	(37 907)	0	0	(1 885 000)
Disposals	0	0	112 153	10 293	0	0	122 446
31.12.2017	(3 126 330)	0	(10 518 817)	(230 440)	0	0	(13 875 587)
Net carrying amount 31.12.2016	6 587 990	765 836	13 058 594	55 817	3 000	0	20 471 237
Net carrying amount 31.12.2017	6 228 830	862 816	11 766 742	70 983	1 722 773	0	20 652 144

AKCIJU SABIEDRĪBA "PATA SILDUS"
Vienotais reģistrācijas Nr. 40003020121, Kuldīgas iela 86C, Saldus, Saldus novads, LV-3801
GADA PĀRSKATS par 12 mēnešu periodu no 2018. gada 1. janvāra līdz 2018. gada 31. decembrim

	Land plots, buildings and engineering structures	Biological Assets	Technological equipment and machinery	Other fixed assets	Fixed assets under development and construction in progress	Advances for fixed assets	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Initial cost							
31.12.2017.	9 355 160	862 816	22 285 559	301 424	1 722 773	0	34 527 732
Purchase/ increased value	250 739	0	683 670	201 117	2 586 357	0	3 721 883
Disposals	(1 941)	(95 114)	(2 394 838)	(167 040)	0	0	(2 658 933)
Reclassification between other asset items	0	0	3 719 052	0	(3 719 052)	0	0
31.12.2018.	9 603 958	767 702	24 293 443	335 501	590 078	0	35 590 682
Depreciation							
31.12.2017.	(3 126 330)	0	(10 518 817)	(230 440)	0	0	(13 875 587)
Calculated	(416 329)	0	(1 505 166)	(46 937)	0	0	(1 968 432)
Disposals	1 941	0	295 899	26 813	0	0	324 653
31.12.2018.	(3 540 718)	0	(11 728 084)	(250 564)	0	0	(15 519 366)
Net carrying amount 31.12.2017	6 228 830	862 816	11 766 742	70 983	1 722 773	0	20 652 144
Net carrying amount 31.12.2018	6 063 240	767 702	12 565 359	84 937	590 078	0	20 071 315

Cadastral value of fixed assets

Cadastral value of lands and buildings owned by the Company on December 31, 2018 is EUR 1 472 303 (on December was EUR 1 422 140).

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

	Revaluation reserves 31.12.2017	Revaluation reserves 31.12.2018
	EUR	
Real estate		
a) land plots, buildings and engineering structures	1 370 057	1 370 057
TOTAL	1 370 057	1 370 057

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

	31.12.2018. EUR	31.12.2017. EUR
Cost	1 852 471	1 706 995
Net carrying amount	1 852 471	1 706 995

Pursuant to Section 6 Part 5 of the Corporate Income Tax Law that was in effect till December 31, 2017, when defining the taxable corporate income, the results of revaluation of balance sheet items and off-balance sheet items shall not be taken into account, except revaluation of assets due to change of foreign currency rates.

(13) Participation in the capital

a) movement of participation

	Participation in the equity of group companies EUR	Non-current Participation in the equity of associates EUR	Total EUR
Initial cost			
31.12.2017.	1 009 149	8 540	1 017 689
31.12.2018.	1 009 149	8 540	1 017 689
Net carrying amount 31.12.2017	1 009 149	8 540	1 017 689
Net carrying amount 31.12.2018	1 009 149	8 540	1 017 689

b) participation in the equity of subsidiaries

Name	Address	Participating interest		Equity		Profit	
		31.12.2017. %	31.12.2018. %	31.12.2017. EUR	31.12.2018. EUR	2017 EUR	2018 EUR
SIA PAKUĻU SPORTA BĀZE	"Mežvidi", Novadnieku pag., Saldus novads, LV-3801	100	100	-205 654	348 139	-5 308	553 793
ООО ДеревООобрабатываОущи й комбинат	180005, Россия, г. Псков, Зональное шоссе, д. 44-А	100	100	-823 394	-847 816	-124 705	-166 733

c) participation in the equity of associates

Name	Address	Participating interest		Equity		Profit	
		31.12.2017. %	31.12.2018. %	31.12.2017. EUR	31.12.2018. EUR	2017 EUR	2018 EUR
SIA SILDUS ENERGIJA	Cēsu iela 14, Rīga, LV-1012	20	20	1 310	80 477	-240 354	156 932

(14) Raw materials and consumables

	31.12.2018. EUR	31.12.2017. EUR
Materials, spare parts, Inventories:	142 710	163 325
Raw materials (logs in forest and sawmill)	4 294 263	1 906 356
	4 436 973	2 069 681

(15) Work in progress	31.12.2018. EUR	31.12.2017. EUR
Forestry work in progress	94 061	161 958
Sawn timber in production	1 293 610	1 441 985
	<u>1 387 671</u>	<u>1 603 943</u>
(16) Finished goods and goods for sale	31.12.2018. EUR	31.12.2017. EUR
Finished goods saw timber	1 591 771	1 077 796
	<u>1 591 771</u>	<u>1 077 796</u>
(17) Advances for inventories	31.12.2018. EUR	31.12.2017. EUR
Advances for inventories	486 756	51 004
	<u>486 756</u>	<u>51 004</u>
(18) Trade receivables	31.12.2018. EUR	31.12.2017. EUR
Book value of trade receivables	451 178	228 222
(Provisions for bad and doubtful debts)	(26 518)	(51 135)
	<u>424 660</u>	<u>177 087</u>
Provisions for bad and doubtful debts have been made in 100 % of their book value.		
(19) Receivables from group companies	31.12.2018. EUR	31.12.2017. EUR
Non-current		
Loans to ООО Деревообрабатывающий комбинат № 3	700 929	696 250
	<u>700 929</u>	<u>696 250</u>
Current		
Receivables from the group companies for the goods delivered and services provided	9 487 362	6 572 897
Accrual for doubtful debts	(553 178)	(553 178)
	<u>8 934 184</u>	<u>6 019 719</u>

In the reporting year JSC PATA Saldus wrote off debt to ООО Деревообрабатывающий комбинат №3 374 840 EUR. In the reporting year JSC PATA Saldus has lent money to ООО Деревообрабатывающий комбинат №3 - 1 380 000 RUB (18 678.07 EUR). Loan term for long-term loans is set until year 2020.

(20) Receivables from associates	31.12.2018. EUR	31.12.2017. EUR
Debts to associated companies for the goods delivered and services provided	451 228	20 729
	<u>451 228</u>	<u>20 729</u>
(21) Other receivables	31.12.2018. EUR	31.12.2017. EUR
VAT overpaid	257 145	172 566
Paid guarantee fees	4 668	4 237
Other receivables	78	1
	<u>261 891</u>	<u>176 804</u>
(22) Deferred expenses	31.12.2018. EUR	31.12.2017. EUR
Insurance payments	17 977	14 448
Prepayment for office rent	427	354
Subscription fees	8 962	7 245
1st lease installment	157 024	116 958
Other expenses	145 994	131 053
	<u>330 383</u>	<u>270 058</u>
(23) Cash and bank	31.12.2018. EUR	31.12.2017. EUR
Cash at bank in checking accounts	136	114 483
	<u>136</u>	<u>114 483</u>

(24) Share capital

The company is a joint stock company. The share capital of the Company is EUR 579 916. Value per share is EUR 0.70 (zero euro 70 euro cents). 774 272 shares are public bearer shares and are dematerialized, however 54 180 of shares are staff registered staff shares.

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

(25) Reserves

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

(26) Distribution of the Company's profit

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

(27) Loans from banks	31.12.2018. EUR	31.12.2017. EUR
Non-current		
Nordea Bank AB Latv. Fil. (2013-104-OD)	7 729 905	7 692 163
Nordea Bank AB Latv. Fil. (2010-139-OD)	46 759	261 406
Nordea bank AB Latv. Fil (2011-150-OD)	706 635	701 778
Luminor Bank AS (2012-85-A)	173 009	259 513
Luminor Bank AS (2012-84-A)	584 793	877 190
Luminor Bank AS (2006/202/A)	63 386	121 896
Luminor Bank AS (2014-169-A)	512 479	992 479
Luminor Bank AS (2017-42-A-CFLA)		
Luminor Bank AS (196K/18T-CFLA)	212 000	
	10 028 965	10 906 425
Current		
Nordea Bank AB Latv. Fil. (2010-139-OD)	275 269	504 000
Luminor Bank AS (2012-85-A)	86 504	86 504
Luminor Bank AS (2012-84-A)	292 397	292 397
Luminor Bank AS (2006/202/A)	58 510	58 510
Luminor Bank AS (2014-169-A)	480 000	480 000
Luminor Bank AS (2017-42-A-CFLA)	336 696	0
	1 529 376	1 421 411

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

(28) Other borrowings	31.12.2018. EUR	31.12.2017. EUR
Non-current		
Other loans (from private individuals)	888 333	1 098 333
JSC Attīstības finanšu institūcija Altum	1 588 739	1 588 739
Liabilities according to the finance lease agreements	179 200	285 217
	2 656 272	2 972 289
Current		
Liabilities according to the factoring agreements	904 261	993 029
Liabilities according to the finance lease agreements	153 883	165 324
	1 058 144	1 158 353

Loan from AS Attīstības finanšu institūcijas Altum is dedicated to the purchase, supply and installation of sawing and finished product sorting equipment and for the construction of a sawmill. Real estate serves as collateral. The loan repayment date is until August 26, 2024.
The amount of repayment of the AS Attīstības finanšu institūcijas Altum after 5 years is EUR 529 539.

Finance lease liabilities

As disclosed in Note 28, the Company has acquired fixed assets under finance lease. Total finance lease liabilities as at December 31, 2018 is EUR 333 083.

The future minimum finance lease payments are:		31.12.2018. EUR	31.12.2017. EUR
Payable within 1 year		161 649	174 492
Payable from 2 to 5 years		185 737	293 164
Finance lease gross liabilities		<u>347 386</u>	<u>467 656</u>
Future finance costs		<u>(14 303)</u>	<u>(17 115)</u>
Present value of finance lease liabilities		<u><u>333 083</u></u>	<u><u>450 541</u></u>
(29) Advances from customers		31.12.2018. EUR	31.12.2017. EUR
Current			
Advances of sawn timber		409	980
		<u><u>409</u></u>	<u><u>980</u></u>
(30) Trade payables		31.12.2018. EUR	31.12.2017. EUR
Current			
Payables for supplies of goods and services supplied		5 892 088	3 902 548
		<u><u>5 892 088</u></u>	<u><u>3 902 548</u></u>
(31) Payables to group companies		31.12.2018. EUR	31.12.2017. EUR
Current			
Payables for supplies of goods and services supplied		0	155 467
		<u><u>0</u></u>	<u><u>155 467</u></u>
(32) Taxes and social insurance payments		31.12.2018. EUR	31.12.2017. EUR
Current			
Personal income tax		112 749	92 840
State mandatory social insurance contributions		127 454	90 098
Natural resources tax		1 203	289
		6 806	64 016
Business risk state duty		0	75
		<u><u>248 212</u></u>	<u><u>247 318</u></u>
(33) Other creditors		31.12.2018.	31.12.2017.
Current			
Salaries		256 784	184 474
Other liabilities		3 295	4 630
		<u><u>260 079</u></u>	<u><u>189 104</u></u>

(34) Deferred income	31.12.2018. EUR	31.12.2017. EUR
Non-current		
EU co-financing for the acquisition of assets - non-current portion	1 993 756	1 689 105
	<u>1 993 756</u>	<u>1 689 105</u>
Current		
EU co-financing for the acquisition of assets - current portion	261 880	222 583
	<u>261 880</u>	<u>222 583</u>

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

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

(35) Accrued liabilities	31.12.2018. EUR	31.12.2017. EUR
Accrued trade payables	111 197	133 294
Accrued unused annual leave expenses	459 056	316 417
	<u>570 253</u>	<u>449 711</u>

(36) Fees paid to auditors	2018 EUR	2017 EUR
For the audit of financial statements	8 800	8 800
	<u>8 800</u>	<u>8 800</u>

(37) Average number of employees	2018	2017
Members of the Board	1	1
Members of the Council	1	1
Other employees	1	1
Average number of employees during the financial year	<u>238</u>	<u>222</u>
	<u>241</u>	<u>225</u>

(38) Remuneration to personnel	2018 EUR	2017 EUR
Remuneration for work	4 139 905	3 336 749
State mandatory social insurance contributions	1 065 803	771 137
Business risk state duty	1 038	975
	<u>5 206 746</u>	<u>4 108 861</u>

(39) Remuneration to the management	2018 EUR	2017 EUR
Remuneration for Chairman of the Board	18 629	30 344
State mandatory social insurance contributions for Chairman of the Board	4 488	7 158
	<u>23 117</u>	<u>37 502</u>

A member of the Board and a member of the Council perform their duties without compensation.

(40) Transactions with related parties

The main shareholder of the Company, who owns 67 % of shares of the Company, is Pata SIA (Latvia), reg.No.40003448619. The ultimate parent company is Pata SIA (Latvia)

In 2017, the Company had a transactions with the following group companies that are directly or indirectly subsidiaries of Pata SIA. The Company had also transactions with companies owned by its subsidiaries and with related entity Saldus Enerģija SIA (Latvia), that is not part of the Group. During the financial year the Company has not entered into transactions with the Management Board and Council members, with the exception of salaries paid for the job.

a) claims and liabilities

	31.12.2018.		31.12.2017.	
	Receivables EUR	Payables EUR	Receivables EUR	Payables EUR
Group companies				
Parent company	8 931 620	0	5 630 868	155 467
Subsidiaries	2 564	0	1 085 102	0
	<u>8 934 184</u>	<u>0</u>	<u>6 715 970</u>	<u>155 467</u>
Other related parties				
Associated companies	451 228		20 729	0
Directors and officers		588 333		588 333
	<u>451 228</u>	<u>588 333</u>	<u>20 729</u>	<u>588 333</u>
	<u>9 385 412</u>	<u>588 333</u>	<u>6 736 699</u>	<u>743 800</u>

b) transactions

	Sales to related parties		Purchases from related parties	
	2018 EUR	2017 EUR	2018 EUR	2017 EUR
Group companies				
Goods for sale	64 502 078	47 964 099	18 721 343	9 976 188
	<u>64 502 078</u>	<u>47 964 099</u>	<u>18 721 343</u>	<u>9 976 188</u>
Other related parties				
Goods for sale	1 398 906	1 210 191	966 105	593 702
	<u>1 398 906</u>	<u>1 210 191</u>	<u>966 105</u>	<u>593 702</u>
	<u>65 900 984</u>	<u>49 174 290</u>	<u>19 687 448</u>	<u>10 569 890</u>

(41) Financial commitments

b) Operating lease commitments

The Company uses forestry industrial equipment, as well as cars for administration needs that have been received under operating lease agreements. Lease expenses recognized in financial statement are EUR 624 316.

The Company has the following non-cancellable lease liabilities:

	31.12.2018. EUR	31.12.2017. EUR
Payable within 1 year	908 137	348 701
Payable from 2 to 5 years	2 068 522	1 044 081
	<u>2 976 659</u>	<u>1 392 782</u>

(42) Financial risk management

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

Market risk - Interest rate risks

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

Credit risk

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

Liquidity risk

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

(43) Use of going concern assumption

The Company has finished the financial year, which was closed on 31 December 2018, with profit of EUR 5 300 866. As of this date, the Company's current assets exceeded current liabilities by EUR 8 719 801, and total assets exceeded total liabilities by EUR 15 655 979.

Financial results of 2018 are in accordance with going concern assumption, as well as a going concern is dependent of financial results in next periods.

(44) Subsequent events

Since the last date of the financial year until the date of signing of financial statements, there haven't been any subsequent events, which would have a significant effect on the financial position of the Company as at 31 December 2018.

Gatis Zommers
Chairman of the board

Inga Siliņa
Chief Accountant

Saldus, 29 April 2019

Jānis Mierkalns
board member
Ilze Bukulde
board member
Arvis Tone
board member

The annual report has been approved by the general meeting of stockholders _____ 2019