JOINT-STOCK COMPANY “PATA SALDUS” AND ITS SUBSIDIARIES

(REGISTRATION NUMBER 40003020121)

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

PREPARED IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION

TOGETHER WITH INDEPENDENT AUDITOR’S REPORT

Saldus, 2021

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General Information

Name of the Parent company	**Joint-stock company “PATA Saldus”**
Legal status of the Parent company	Joint-stock Company
Registration number, place, and date	40003020121, August 26, 1991, Riga
Address	Kuldīgas street 86C, Saldus, Saldus district, LV-3801
Core business activities of the Group	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: name, surname, position	Gatis Zommers (*Gatis Zommers)* – Chairman of the Board Janis Mierkalns (*Jānis Mierkalns*) – member of the Board Ilze Bukulde (*Ilze Bukulde)* – member of the Board
Members of the Council: name, surname, position	Uldis Mierkalns (*Uldis Mierkalns*) – Chairman of the Council Janis Bertrans (*Jānis Bertrāns*) – Deputy Chairman of the Council Inga Mierkalna (*Inga Mierkalna)* – member of the Council Inga Jakobsone *(Inga Jākobsone)* – member of the Council
Shareholders holding 5% or more of the voting shares	SIA “Saldus MRU” 44.38% 343 666 shares SIA “Kubit” 27.82% 215 394 shares SIA “PATA” 22.93% 177 516 shares
Reporting year	January 1 – December 31, 2020

Subsidiaries

1. Name of the company	SIA “PAKUĻU SPORTA BĀZE” (100%)
Legal status of the company	Limited Liability Company
Registration number, place, and date	48503009010, November 21, 2002
Address	“Meževidi”, Novadnieku pag. Saldus novads LV-3801
Core business activities of the Company	Other sports activities
Interest of the Parent company	JSC “PATA Saldus” – 100%
Reporting year	January 1 – December 31, 2020

2. Name of the company	ООО «Деревообрабатывающий комбинат № 3» (100%)
Legal status of the company	Limited Liability Company (ООО - Общество с ограниченной ответственностью)
Registration number, place, and date	1066027046337, October 9, 2006
Address	Russia: 180005, Россия, г. Псков, Зональное шоссе, д. 44-А
Core business activities of the Company	Woodworking, production of board lumber
Interest of the Parent company	JSC “PATA Saldus” – 100%
Reporting year	January 1 – December 31, 2020

Ultimate Parent company that controls JSC "PATA Saldus"

Name of the ultimate Parent company	SIA "PATA" (67%)
Legal status of the ultimate Parent company	Limited Liability Company
Registration number, place, and date	40003448619, June 10, 1999
Address	Miera iela 2, Inčukalns, Inčukalna pag., Inčukalna nov., LV-2141
Core business activities of the ultimate Parent company	Wholesale of wood, silviculture and other foresty activities
Interest of the ultimate Parent company	SIA "PATA" – direct holding – 23%, indirect holding – 44%
Owner of the ultimate Parent company	Uldis Mierkalns – 100%
Reporting year	January 1 – December 31, 2020

Name and address of the Auditor	Svetlana Šemele-Baikova Certified Auditor of the Republic of Latvia Certificate No.212	SIA "Nexia Audit Advice" Registration No. 40003858822 31 -14 Baznicas street, Riga, LV-1010, Latvia Licence No.134

Management Report

To Consolidated report of economic activity for 2020

Type of operations

Principal activities of the Group are forestry and primary wood processing - lumber production for construction, furniture and for the production of packaging. Starting from 2020 the range of finished products has been supplemented by production of all different types of planed and calibrated lumber. Within the framework of economic activity, the necessary forestry work shall be carried out to ensure reforestation, maintenance and enhancement of the forest by means of environmentally friendly, non-degrading forest management, working in accordance with the requirements and recommendations of forest management and wood supply chain certificates. In the process of wood processing the Group shall operate in accordance with the requirements of the certificate of the energy management system (LVS EN ISO 50’001:2012). In order to meet these requirements, the Group shall regularly take the appropriate monitoring and improvement measures.

Performance of the Group during the financial year

The Group’s profit from operating activities in 2020 was EUR 5 050 597 with a net turnover of EUR 57 634 731, which represents profit per weighted average share issued of 6.10 EUR.
The beginning of year 2020 for the Group was very unpredictable, due to Covid-19. At the latter half of the year for exploitation was assigned a new lumber planning line, which gave the opportunity for the sale of planed and calibrated lumber and expand the value of finished products. Offered materials let the company conquer new outlets, develop alternative sales channels, which, in turn, reduces the risk of exporting and smooths out fluctuations in the timber market. In result the production of products left a positive impression on the company's activity during 2020.

The Group’s financial statements have been prepared based on the information available to the 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 Group and consolidated group. The report contains true information.

Financial results of the Group’s commercial activity and financial standing of the Group

The analysis of the Group’s consolidated financial statements shows, that consolidated statement of financial position total is EUR 41 331 336. Non-current assets comprise 49% of the statement of financial position total, of which 96% (EUR 19 383 556) comprise of property, plant and equipment. Equity comprises 42% (EUR 17 379 454) of the statement of financial position total. Non-current liabilities comprise 34% (EUR 13 889 836) of the statement of financial position total, while current liabilities comprise 24% (EUR 10 062 045).

The analysis of the Group’s consolidated statement of comprehensive income shows, that the revenue of the Group for 2020 is EUR 57 634 731, the cost of sales is EUR 51 476 119, so that the gross profit amount is EUR 6 158 612 and net profit amount is EUR 5 050 597.

Calculation of financial results

Items of the Group’s consolidated statement of comprehensive income	**2020** EUR	**2019** EUR
Revenue	57 634 731	57 404 518
Gross profit/loss	6 158 612	(825 506)
Profit/loss for the year	5 050 597	(1 995 298)

Items of the Group’s consolidated statement of financial position	**31.12.2020** EUR	**31.12.2019** EUR
Current assets	21 178 167	17 370 829
Total assets	41 331 336	39 599 972
Equity	17 379 454	11 982 470
Current liabilities	10 062 045	10 601 414
Total liabilities	23 951 882	27 617 502

Group's financial ratios	2020	2019
Profitability analysis - profitability ratios analyse the effectiveness of the Group's management decisions to fulfil financial tasks.		
Gross margin (Gross profit / Revenue)	10.69%	-1.44%
The gross margin ratio shows the ratio of sales to direct costs. The Group uses this indicator to calculate the extent to which changes in revenue affect gross profit.		
Commercial profitability ratio (Profit for the year / Revenue)	8.76%	-3.48%
The Group uses this ratio to determine the Group's ability to generate profits.		
	2020	**2019**
Return on Equity (Pofit for the year / Equity)	29.06%	-16.65%
The return on equity shows how effectively the capital invested by the Group's owners is used. The Group uses this indicator to determine how much a potential investor will earn from each of its invested euro.		
Return on Assets (Profit for the year / Total assets)	12.22%	-5.04%
The Group uses this ratio to calculate the return on total assets used by the Group for its economic activities.		

	31.12.2020	31.12.2019
Capital structure analysis - capital structure indicators analyze the Group's capital structure and show how many additional liabilities the Group is able to assume.		
Assets to Equity (Total assets / Equity)	2.38	3.30
The Group uses this ratio to determine the proportion of cash invested by the Group's owners in the Group's assets.		
Debt to Equity (Total liabilities / Equity)	1.38	2.30
The Group uses this ratio to determine to what extent the Group is dependent on borrowed capital.		
Debt to assets ratio (Total liabilities / Total assets)	0.58	0.70
The Group uses this ratio to determine the Group's long-term and short-term liabilities to total assets.		
Liquidity analysis - Liquidity indicators consider the Group's short-term financial performance and liquidity and give an idea of whether the Group is able to settle its current liabilities in a timely and complete manner.		
Current liquidity ratio (Current assets / Current liabilities)	2.10	1.64
The Group uses this ratio to calculate the extent to which the Group's current assets are capable of covering short-term liabilities.		

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

Environment protection

The core economic activity of the Group is production of timber. Polyethylene plastic is used as a wrapping material. In order to secure qualitative and environmentally friendly economic activity and to reduce ecological and financial risks related not only to environmental pollution, but also 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 technical 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 Group 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, incl. planned natural resource tax payments, addressing unforeseen environmental problems and reducing ecological risks at all sites.

Investment programme

In 2020 the company implemented strategically important developments and continued already started research projects. In result of these activities there were developed new planed products and for exploitation assigned a new luber planing line. The company will continue already started research projects on enhancing the process of drying lumber and search of new outlets. That lets company create new products and enlarge the added value of the products produced.

Financial risk management

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

The policy of financial risk management of the Group is described on the page 23 and 24.

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 Group.

Future prospects

In 2021, the Group will continue to develop and expand nature friendly logging through environmentally friendly, non-degrading forest management, working in accordance with the requirements and recommendations of forest management and wood supply chain certificates.

The Group 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 Group.

Report on corporate governance

Statement on corporate governance for 2020 is electronically publicly available on Nasdaq Riga corporate website: http://www.nasdaqbaltic.com/market/.

Remuneration report for 2020 is electronically publicly available on Nasdaq Riga corporate website: http://www.nasdaqbaltic.com/market/.

Saldus, April 30, 2021

Board:

Gatis Zommers Chairman of the Board	Jānis Mierkalns Member of the Board	Ilze Bukulde 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 Group'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 Report contains truthful information on Group’s development and results of its operations.

Financial statements are prepared in accordance with the International Financial Reporting Standards as adopted by the European Union.

The Management confirms that, in preparing this report for the period ending on 31 December 2020, 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 Group's resources conservation as well as fraud prevention and prevention of other irregularities.

Saldus, April 30, 2021

Board:

Gatis Zommers	Jānis Mierkalns	Ilze Bukulde
Chairman of the Board	Member of the Board	Member of the Board

Consolidated Statement of Comprehensive Income

	Note	2020 EUR	2019 EUR
Revenue	4	57 634 731	57 404 518
Cost of sales	5	(51 476 119)	(58 230 024)
Gross profit		**6 158 612**	**(825 506)**
Distribution costs	6	(9 336)	(50)
Administrative expenses	7	(372 872)	(371 555)
Other operating income	8	1 065 374	979 733
Other operating expense	8	(1 249 717)	(1 023 857)
Operating profit or loss		**5 592 061**	**(1 241 235)**
Finance income	9	1 258	119
Finance costs	9	(548 339)	(460 641)
Profit or loss before tax		**5 044 980**	**(1 701 757)**
Deferred corporate income tax	10	10 734	(288 424)
Corporate income tax	10	(5 117)	(5 117)
Profit or loss for the year		**5 050 597**	**(1 995 298)**
Total comprehensive income		**5 050 597**	**(1 995 298)**
Profit attributable to:			
Owners of the Parent company		5 050 597	(1 995 298)
		5 050 597	**(1 995 298)**
Earnings/loss per share			
Basic and diluted earnings per share	29	**6.10**	**(2.41)**
Total comprehensive income attributable to:			
Owners of the Parent company		5 050 597	(1 995 298)
		5 050 597	**(1 995 298)**

The accompanying notes on pages 14-38 are an integral part of these consolidated financial statements.

Saldus, April 30, 2021

Board:

Gatis Zommers	Jānis Mierkalns	Ilze Bukulde	Inga Siliņa
Chairman of the Board	Member of the Board	Member of the Board	Chief accountant

Consolidated Statement of Financial Position

ASSETS

NON-CURRENT ASSETS		Note	31.12.2020 EUR	31.12.2019 EUR
Intangible assets				
Concessions, patents, licenses and similar costs		11	42 750	34 997
	Total		**42 750**	**34 997**
Property, plant and equipment				
Land, buildings and perennial plantations		12	5 743 807	6 064 783
Technological equipment and machinery		12	11 736 405	12 629 233
Other fixed assets		12	22 670	83 425
Rights of used assets		12	1 539 622	2 324 375
Construction in progress		12	341 052	373 596
	Total		**19 383 556**	**21 475 412**
Biological assets			**707 589**	**710 194**
Long-term financial investments				
Other securities and investments			8 540	8 540
Deferred income tax asset		10	10 734	0
	Total		**19 274**	**8 540**
	TOTAL NON-CURRENT ASSETS		**20 153 169**	**22 229 143**
CURRENT ASSETS				
Inventories				
Raw materials, basic materials and consumables		13	1 216 814	2 019 683
Biological assets		13	1 510 937	1 319 691
Unfinished production		13	1 709 119	1 184 158
Finished production and goods for sale		13	1 002 125	1 873 796
Advance payments for goods		13	170 942	18 052
	Total		**5 609 937**	**6 415 380**
Receivables				
Trade receivables		14	593 784	864 675
Receivables from related companies		15	14 382 659	9 765 356
Other receivables		16	287 453	108 350
Prepaid expenses		17	240 244	213 349
	Total		**15 504 140**	**10 951 730**
Cash and cash equivalents		18	64 090	3 719
	TOTAL CURRENT ASSETS		**21 178 167**	**17 370 829**
TOTAL ASSETS			**41 331 336**	**39 599 972**

The accompanying notes on pages 14-38 are an integral part of these consolidated financial statements.

Saldus, April 30, 2021

Board:

Gatis Zommers	Jānis Mierkalns	Ilze Bukulde	Inga Siliņa
Chairman of the Board	Member of the Board	Member of the Board	Chief accountant

Consolidated Statement of Financial Position (continued)

EQUITY AND LIABILITIES

	Note	31.12.2020 EUR	31.12.2019 EUR
Equity			
Share capital	19	579 916	579 916
Share premium		2 828	2 828
Foreign currency exchange fluctuations		(7 430)	86 939
Revaluation reserve of non-current assets		1 477 868	1 370 057
Other reserves		3 741 168	3 741 168
Retained earnings of the previous years		6 534 507	8 196 860
Retained earnings of the reporting year		5 050 597	(1 995 298)
TOTAL EQUITY		**17 379 454**	**11 982 470**
LIABILITIES			
Non-current liabilities			
Loans from credit institutions	20	10 046 427	11 654 743
Other loans	21	2 089 088	3 322 844
Deferred revenue	27	1 754 321	2 038 501
Total		**13 889 836**	**17 016 088**
Current liabilities			
Loans from credit institutions	20	1 967 791	1 446 265
Other loans	21	1 267 001	1 378 847
Prepayments received from customers	22	57 000	37 410
Trade payables	23	4 144 415	5 821 236
Payables to related companies	24	1 206 312	789 005
Taxes and statutory social insurance contributions	25	425 870	225 848
Other payables	26	258 595	212 061
Deferred revenue	27	284 180	284 180
Accrued liabilities	28	450 882	406 562
Total		**10 062 045**	**10 601 414**
TOTAL LIABILITIES		**23 951 882**	**27 617 502**
TOTAL EQUITY AND LIABILITIES		**41 331 336**	**39 599 972**

The accompanying notes on pages 14-38 are an integral part of these consolidated financial statements.

Saldus, April 30, 2021

Board:

Gatis Zommers	Jānis Mierkalns	Ilze Bukulde	Inga Siliņa
Chairman of the Board	Member of the Board	Member of the Board	Chief accountant

Consolidated Statement of Cash Flows

	2020	2019
I. Cash flows from operating activities	**EUR**	**EUR**
Profit or loss before tax	**5 044 980**	**(1 701 757)**
Adjustments for:		
Depreciation of property plant and equipment and intangible assets	2 020 471	2 201 110
Gain / loss on disposal or sale of fixed / biological assets	(42 091)	103 278
Revaluation of biological assets	2 605	57 508
Gains or losses on foreign currency exchange rate fluctuations	764 800	83 676
Income from recognition of financing	(284 180)	(267 455)
Interest and similar costs	550 154	467 333
Operating cash flows before working capital changes	**8 056 739**	**943 693**
Adjustments for:		
Increase / decrease in trade and other receivables	(4 554 999)	(548 454)
Increase / decrease in inventories	732 136	3 121 244
Increase / decrease in trade and other payables	(405 424)	117 302
Cash generated from operations	**3 828 634**	**3 633 785**
Interest paid	(501 393)	(392 981)
Corporate income tax paid	(5 117)	(5 117)
Net cash generated from operating activities	**3 322 124**	**3 235 687**
II. Cash flows from investing activities		
Income from sales of fixed assets, intangible assets, biological assets	283 273	80 979
Purchase of property, plant and equipment and intangible assets	(783 406)	(1 904 449)
Net cash used in investing activities	**(500 133)**	**(1 823 470)**
III. Cash flows from financing activities		
Proceeds from borrowings	0	1 288 000
Proceeds from subsidies	22 115	334 500
Repayments of borrowings	(1 616 058)	(1 098 941)
Lease principal amount payments	(1 116 772)	(1 501 194)
Lease interest payments	(50 905)	(75 964)
Dividends paid	0	(358 130)
Net cash used in financing activities	**(2 761 620)**	**(1 411 729)**
V. Net increase in cash and cash equivalents	**60 371**	**488**
VI. Cash and cash equivalents at the beginning of the year	**3 719**	**3 231**
VII. Cash and cash equivalents at the end of the year	**64 090**	**3 719**

Cash flow statement is prepared using the indirect method in accordance with IAS 7.

The accompanying notes on pages 14-38 are an integral part of these consolidated financial statements.

Saldus, April 30, 2021

Board:

Gatis Zommers	Jānis Mierkalns	Ilze Bukulde	Inga Siliņa
Chairman of the Board	Member of the Board	Member of the Board	Chief accountant

Consolidates Statement of Changes in Equity

	Share capital	Revaluation reserve of non-current assets	Foreign currency exchange fluctuations	Share premium	Other reserves	Retained earnings of the previous years	Retained earnings of the reporting year	**Total equity**
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Balance as at 31 December 2018	**579 916**	**1 370 057**	**(108 481)**	**2 828**	**3 741 168**	**2 978 484**	**5 683 363**	**14 247 335**
Fluctuation of exchange rate	0	0	195 420	0	0	(464 987)	0	**(269 567)**
Distribution of profit of the year 2018	0	0	0	0	0	5 683 363	(5 683 363)	**0**
Profit for the period	0	0	0	0	0	0	(1 995 298)	**(1 995 298)**
Balance as at 31 December 2019	**579 916**	**1 370 057**	**86 939**	**2 828**	**3 741 168**	**8 196 860**	**(1 995 298)**	**11 982 470**
Fluctuation of exchange rate	0	0	(94 369)	0	0	332 945	0	**238 576**
Distribution of profit of the year 2019	0	0	0	0	0	(1 995 298)	1 995 298	**0**
Revaluation reserve of non-current assets	0	107 811	0	0	0	0	0	**107 811**
Profit for the period	0	0	0	0	0	0	5 050 597	**5 050 597**
Balance as at 31 December 2020	**579 916**	**1 477 868**	**(7 430)**	**2 828**	**3 741 168**	**6 534 507**	**5 050 597**	**17 379 454**

The accompanying notes on pages 14-38 are an integral part of these consolidated financial statements.

Saldus, April 30, 2021

Board:

Gatis Zommers	Jānis Mierkalns	Ilze Bukulde	Inga Siliņa
Chairman of the Board	Member of the Board	Member of the Board	Chief accountant

Notes to the Consolidated Financial Statements

1. General information about the Group

JSC "PATA Saldus” Group (hereinafter - the Group) is mainly engaged in logging and wood processing.

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

Parent company’s shares are listed on the Nasdaq Riga Stock Exchange.

The Group's consolidated financial statements were authorized for issue in accordance with the decision of the Board and Council on 30 April 2020.

The Group's shareholders have the right to amend the financial statements after its issue.

2. Basis of preparation and other significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These principles have been used in previous years, unless otherwise stated.

Accounting and valuation principles

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (the EU) and their interpretations. The standards are issued by the International Accounting Standards Board (IASB) and their interpretations by the International Financial Reporting Interpretations Committee (IFRIC).

The consolidated financial statements have been prepared on the historical cost basis. The financial statements are presented in euro (EUR), the monetary unit of the Republic of Latvia.

Significant assumptions and judgements

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Areas that are more likely to be affected by the assumptions are the revaluation of fixed assets, determining the regularity of revaluation, management assumptions and estimates for determining the useful lives of fixed assets as described in the relevant annexes.

The Group carried out a revaluation of its owned lands and forest lands in April 2014 and concluded that their market value exceeds their book value at the time of revaluation.

Consolidation

The consolidated financial statements include the financial statements of the joint-stock company “PATA Saldus” and its subsidiaries SIA “PAKUĻU SPORTA BĀZE”, OOO «Деревообрабатывающий комбинат № 3».

Subsidiaries are fully consolidated from the date of acquisition, namely the date on which the Group acquired control of subsidiaries, and the consolidation is continued until the Group ceases to control the subsidiaries.

The financial statements of the subsidiaries were prepared for the same reporting year as the financial statements of the Parent company and using the same accounting policies.

The financial statements of the Parent company and its subsidiaries are consolidated in the Group’s consolidated financial statements by adding together like items of assets and liabilities, as well as income and expense. Unrealised gains and losses on transactions between Group’s entities, inter-company balances, owned shares, dividends and inter-company transactions are eliminated on consolidation. The Group applies the acquisition method to account for business combinations. Excess of the consideration transferred over the fair value of the identifiable net assets acquired is accounted as goodwill.

Consolidation of foreign subsidiary companies

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

Changes in accounting policy and disclosures

New and revised IFRSs and interpretations adopted by the Group

The following amendments to the existing standards and interpretations issued by the International Accounting Standards Board are effective for the current period:

1) *Amendments:*
   - Amendments to IFRS 3 Business Combinations (issued on 22 October 2018) (effective for annual periods beginning on or after 1 January 2020).
   - Amendments to IFRS 9, IAS 39 and IFRS17: Interest Rate Benchmark Reform (issued on 26 September 2019) (effective for annual periods beginning on or after 1 January 2020).
   - Amendments to IAS 1 and IAS 8: Definition of Material (issued on 31 October 2018) (effective for annual periods beginning on or after 1 January 2020).
   - Amendments to References to the Conceptual Framework in IFRS Standards (issued on 29 March 2018) (effective for annual periods beginning on or after 1 January 2020).
   - Amendment to IFRS 16 Leases Covid 19-Related Rent Concessions (issued on 28 May 2020) (effective for annual periods beginning on or after 1 June 2020).

     The amendments provide lessees with with practical relief for accounting for changes in lease payments when such changes relate to Covid-19. Lessees are given the opportunity to account for such changes as variable lease payments and not to account for a modification of the lease. The exemption can only be applied if all three specific conditions are met.

New and revised IFRSs and interpretations issued and adopted by the EU, but not yet effective

At the date of authorisation of these financial statements the following standards and interpretations to the existing standards and interpretations issued and adopted in the EU were in issue but not yet effective:

1) *Amendments:*
   - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (issued on 27 August 2020) (effective for annual periods beginning on or after 1 January 2021).
   - Amendments to IFRS 4 Insurance Contracts – deferral of IFRS19 (issued on 25 June 2020) (effective for annual periods beginning on or after 1 January 2021).

New and revised IFRSs and interpretations issued, but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from standards adopted by the International Accounting Standards Board (IASB) except from the following standards, amendments and interpretations to the existing standards and interpretations, which were not endorsed for use in EU:

1) *New standards and interpretations:*
   - IFRS 17 Insurance Contracts (issued on 18 May 2017); including Amendments to IFRS 17 (issued on 25 June 2020) (effective for annual periods beginning on or after 1 January 2023).
2) *Amendments:*
   - Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets; Annual Improvements 2018-2020 (issued on 14 May 2020) (effective for annual periods beginning on or after 1 January 2022).
   - Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date (issued on 23 January 2020 and 15 July 2020 respectively) (effective for annual periods beginning on or after 1 January 2023).

- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021) (effective for annual periods beginning on or after 1 January 2023).
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021) (effective for annual periods beginning on or after 1 January 2023).
- Proposed amendments to IFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021 (issued on 31 March 2021) (effective for annual periods beginning on or after 1 April 2021).

The Group has not yet assessed the impact of the above standards, amendments and interpretations on the Group's financial statements.

Accounting principles have not changed compared to the previous reporting period.

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of the Group are measured using the functional currency, which is currency of the primary economic environment in which the Group companies operate - the Group’s functional currency is euro, except for OOO «Деревообрабатывающий комбинат № 3», which functional currency is Russian roubles (RUB).

The consolidated financial statements are presented in euros, the monetary unit of the Republic of Latvia.

Transactions and balances

All transactions denominated in foreign currencies are translated into euro at the foreign exchange reference rates set by the European Central Bank against the euro, which is in force at the beginning of the day of business transaction. Monetary assets and liabilities denominated in foreign currencies are translated into euro according to the foreign exchange reference rate in force on the last date of the reporting year. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions or on reporting of assets and liabilities using the exchange rates that differ from the initial transaction accounting rates are recognized in the statement of comprehensive income in net value. Re-estimation of the capital of OOO «Деревообрабатывающий комбинат № 3» into the currency used in the Group is done by applying the exchange rate that is valid on the day of preparing the balance sheet and regarding to profit or loss statement - by applying the exchange rate in force at the end of the year of account. Corrections due to re-estimation are shown in a separate post in equity. The Group is subject to significant foreign currency revaluation.

	31.12.2020	**31.12.2019**
	EUR	**EUR**
1 RUB	0.0109	0.0143
1 SEK	0.0997	0.0957
1 USD	0.8149	0.8902

Translation to presentation currency

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

Investments in associated companies

Investments in associates are accounted for using the equity method according to which the investment in an associate is initially recognized at cost and its carrying amount is increased or decreased to recognize the Group's share of the associate's profit or loss after the date of acquisition that the Group recognizes in profit or loss.

Intangible assets

Intangible investments are counted in their initial value which is being amortized during their effective time of use and is done by applying a linear method. If there are any events or the change of circumstances that identify that the balance value of intangible investments could be unrecoverable, the corresponding value of intangible investments is re-evaluated in order to determine the decrease of their value. Loss which occurs due to the decrease of value is acknowledged if the balance value of intangible investments exceeds the recoverable value. The intangible investments include the licences of software used in the Group, intangible value and other intangible investments which are related to the activity of parent and subsidiary companies of the Group. The licences of software which are used in the Group are accounted in their purchase value by deducting accumulated amortisation. Amortisation is calculated for the whole period of their effective time by applying a linear method. Expenditures related to the maintenance of the software are includes as expenditures in the profit/loss statement.

Property, plant and equipment

Property, plant and equipment are accounted in their initial value except for their depreciation and the decrease of their value. For land the depreciation is not calculated. Acquired assets below EUR 142 are included in the profit and loss account.

Depreciation is calculated starting with the following month after the property, plant and equipment is put into operation or engaged in commercial activity. For each part of the fixed assets, the costs of which are significant in relation to the total cost of this fixed asset, depreciation is calculated separately. When fixed assets are sold or written off, their original value and accumulated depreciation are eliminated and the gain or loss on sale of property, plant and equipment is recognized in the income statement.

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

Buildings, constructions	10-20 years
Equipment and machinery	2-15 years
Forest equipment	3-5 years
Timber processing lines	3-15 years
Other fixed assets	2-10 years
Computing and data gathering devices, software	2-5 years

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

The accounting value of capital assets is no longer estimated if they are alienated or if in the future there is not expected any outcome from their use. Profit, which arises due to the said circumstances (which is calculated as difference between net income and the balance of capital assets), must be included in the profit or loss calculation and in the period when it happened.

If there are events or circumstances which indicate that the balance value of capital assets could not be recovered, the value of corresponding capital assets is re-evaluated in order to determine the decrease of their value. If there are signs that the value cannot be recovered and if the balance value of assets exceeds the recoverable amount, the asset is written off to its recoverable amount. Unfinished construction shows the costs of capital assets and unfinished constructions and it is accounted in its initial value. The initial costs include construction costs and other direct expenditures. Depreciation for unfinished constructions is not calculated until the appropriate assets are finished and put into operation.

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

Biological assets

The Group considers that forest stands should be classified as biological assets, that are valued according to State Forest Service data. 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 2020 by applying 8% discount rate. Average price for purchased felling site m3 in 2020 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.

Impairment of non-financial assets

At the end of each year the Group audits if there are no signs of the decrease of the value of assets. If there are such signs or if the Group has to carry out the annual audit of the decrease of the value of assets, the Group 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.

Borrowing costs

Borrowing costs are shown in profit or loss at the time when they occur in accordance with the IAS 23.

Lease

At the time of concluding the agreement, the Group assesses whether the agreement includes a lease, ie if the agreement provides for the right to control the use of an identified asset for a specified period of time in exchange for consideration.

The Group is a lessee

The Group applies a united recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes a lease obligation to make lease payments and a right to use assets that evidences a right to use the underlying assets.

a) The right to use the asset

The Group recognizes the right to use an asset on the commencement date of the lease (ie the date the asset is available for use). The right to use an asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and is adjusted for any revaluation of lease liabilities. The cost of the right to use the asset includes the amount of the recognized lease liability, the initial direct costs and lease payments made on or before the inception date, less any lease incentives received. The rights to use the assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets:

Equipment and machinery	3-4 years
Cars	2-4,4 years

a) Lease obligations

At the inception of the lease, the Group recognizes a lease liability measured at the present value of the lease payments due during the lease term. Lease payments include fixed payments (including fixed insignificant payments) less any rental incentives received, variable rental payments that depend on an index or rate, and amounts expected to be paid under residual value guarantees. The Group's lease liabilities are included in 'Other borrowings'.

Accounting policy until 01.01.2019:

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

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

Inventories

Unfinished products

Inventories are accounted in their lowest cost value and net selling value. Cost is calculated by applying the FIFO method- first in, first out, by accounting it in the direct purchase cost of materials and labour costs, plus production-related indirect costs, consisting of wages, electricity, depreciation and other production-related costs, calculated at normal production volumes. Net selling value is the calculated selling price which is normally used in business by subtracting the expenditures needed to finish and sell products.

Raw materials are accounted in their purchase costs.

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

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

The Group 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.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 (see Note 2.18 "Revenue recognition").

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are "solely payments of principal and interest (SPPI)" on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments);
- Financial assets at fair value through profit or loss.

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost include trade and other receivables.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

- the rights to receive cash flows from the asset have expired, or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either:
  (a) the Group has transferred substantially all the risks and rewards of the asset, or
  (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Provision for expected credit losses of trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group’s historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group’s historical credit loss experience and forecast of economic conditions may also not be representative of customer’s actual default in the future.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group’s financial liabilities include loans and borrowings, trade and other payables.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Loans and borrowings

This is the category most relevant to the Group. Loans and borrowings are recognised initially at fair value less any associated discounts or premiums and directly attributable transaction costs. After initial recognition, loans and borrowings are subsequently measured at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in other comprehensive income during the period of the loan or borrowing using the effective interest rate method. Gains / losses are recognized in the statement of comprehensive income as interest income / expenses.

This category refers mainly to interest-bearing loans.

Trade and other payables

After initial recognition, trade and other payables are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

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

Share capital

The Parent company of the Group is a joint-stock company. The Parent company has a share capital of EUR 579 916. On December 18, 2018 in Register of Enterprises of the Republic of Latvia were registered changes in the Statute that determines that Share capital divided in 828 452 shares. The value of the each share is EUR 0.70 (0 euro 70 cents). 774 272 shares are public bearer shares and are in a dematerialized form, but 54 180 shares are personal, registered shares. Taking into account that the Parent company’s equity instruments are traded on the public securities market, the Parent company also prepares consolidated financial statements even though JSC “PATA Saldus” is a subsidiary of another company (SIA “PATA”).

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of provisions to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of comprehensive income net of any reimbursement.

Revenue recognition

Revenue from contracts with customers is recognised when control of the services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services.

Rendering of services

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

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

When another party is involved in providing goods or services to its customer, the Group determines whether it is a principal or an agent in these transactions by evaluating the nature of its promise to the customer. The Group is a principal and records revenue on a gross basis if it controls the promised goods or services before transferring them to the customer. However, if the Group’s role is only to arrange for another entity to provide the goods or services, then the Group is an agent and will need to record revenue at the net amount that it retains for its agency services. The Group has generally concluded that it is the principal in its revenue arrangements.

Sale of goods

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

Interest

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

Dividends

Incomes are recognized when shareholders have rights to receive them.

Income from lease

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

Taxes

Corporate income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted at the reporting date in the country where the Group company operates and generates taxable income.

The corporate income tax of Parent company and subsidiaries Group until 31 December 2017 was calculated by applying the 15% corporate income tax rate to the income earned in the corresponding period of taxation established by the legislative acts of the republic of Latvia.

In accordance with applicable laws and regulations of the Republic of Latvia that are in force as of 1 January 2018, 0% corporate income tax is applied to reinvested profit (current income tax is paid only when a company pays dividends or other payments with the aim of actual profit distribution (conditionally distributed profit)). Instead of the corporate income tax payable on profits, the Latvian companies pay corporate income tax on dividends (also deemed dividends and expenses comparable to dividends), costs not directly related to economic activities, interest payments to non-financial companies and individuals exceeding certain limits, bad debts that are written off, transfer pricing adjustments, liquidation quota.

As of 1 January 2018 the current income tax rate is 20/80 on the amount paid out as net dividends. As income tax is paid on dividends and not on profit, no temporary differences arise between the tax bases of assets and liabilities and the carrying amounts of assets and liabilities which may give rise to deferred income tax assets and liabilities.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

The principal temporary timing differences arise from differing rates of accounting and tax amortisation and depreciation on the Group's non-current assets, the treatment of temporary non-taxable allowances and reserves, as well as tax losses carried forward for the subsequent years.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Contingencies

Contingent liabilities are not recognized in these consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Employee benefits

Parent company and its subsidiaries pay social insurance payments, health, pension and unemployment payments according to the state established rates which are in force in the year of account and on the basis of gross salary. Parent company makes payments into private pension plans as well as makes health insurance payments that are included in expenses of the period when incurred.

Support from national and EU institutions

The grants received are recognized when there is reasonable assurance that the company will comply with the conditions attaching to it and that the grant will be received. The grant received is recognised in profit or loss on a systematic basis over the periods in which the company recognises as expenses the related costs for which the grants are intended to compensate. Grants related to assets are presented in the statement of financial position as a deferred income.

Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements (IAS 24 Related Party Disclosures – "reporting entity"):

1. A person or a close member of that person's family is related to a reporting entity if that person:
   - has control or joint control over the reporting entity;
   - has significant influence over the reporting entity; or
   - is a member of the key management personnel of the reporting entity or of a parent of the reporting entity;
2. An entity is related to a reporting entity if any of the following conditions applies:
   - the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

- one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- both entities are joint ventures of the same third party;
- one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- the entity is a post-employment defined benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity;
- the entity is controlled or jointly controlled by a person identified in point 1);
- a person identified in the first sub point of point 1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity);
- the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Related parties are the shareholders of the Group that can control the Group or have a significant influence over the activities of the Group, key management personnel of the Group and close member of any above-mentioned persons, as well as entities over which those persons have a control or significant influence.

Earnings or loss per share

Earnings or loss per share are calculated by dividing the net result for the year attributable to ordinary owners of the Parent company shares by the average number of shares in issue during the year. The average number of the issued shares during the year has been weighted to take into account the timing of the issuance of new shares, if any.

Reclassification of items

During the reporting period, to improve the quality of the prepared financial statements, including compliance with the requirements of the Law on Annual Financial Statements and Consolidated Financial Statements and regulations issued by the Cabinet of Ministers, changes were made in the classification of items (including the breakdown of items) compared to the previous reporting period. If it is believed to be impractical to reclassify comparative amounts, the items are not reclassified. The reclassification (including the breakdown of items) has no financial implications. In the 2020 annual report, the comparative indicators for 2019 are classified according to the principles used in the 2020 report and are comparable.

Subsequent events

Post-year-end events that provide additional information about the Group’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.

Financial risk management

Financial risk factor

The risk management function within the Group is carried out in respect of financial risks. Financial risks are risks arising from financial instruments to which the Group is exposed during or at the end of the reporting period.

The main financial instruments of the Group 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 Group’s economic activity. Also, the Group 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 arising from the Group’s financial instruments are credit risk and liquidity risk. The Group’s top management oversees the management of these risks. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) as they provide services on credit, and investing activities, but there are no significant concentrations of credit risk. Credit risk arises from long-term and short-term loans, trade and other receivables, loans issued, as well as cash and cash equivalents.

Trade receivables

Customer credit risk is managed in accordance with Group’s established policy, procedures and control relating to customer credit risk management.

The Group manages its credit risk by careful evaluation and regular monitoring of its business partners, by continuously assessing the credit history of customers and assigning credit terms on an individual basis, as well as by applying prepayment conditions for the real estate rental services. In addition, receivable balances are monitored on an ongoing basis to ensure that the Group’s exposure to bad debts is minimised. In determining the recoverability of a trade receivable, the management considers all available information of the trade receivable from the date credit was initially granted up to the reporting date.

The Group evaluates the concentration of risk with respect to trade receivables as low.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity.

The following is information on credit risk related to trade receivables using the accrual matrix:

			The deadline is overdue			
December 31, 2020	**TOTAL**	Not overdue	< 30 days	31-60 days	61-90 days	> 90 days
Expected credit loss rates		0.02%	0.04%	0.07%	0.13%	0.32%
Gross carrying amount	**14 994 024**	1 161 134	6 257 566	3 713 734	2 264 862	1 596 728
Expected credit losses	**13 178**	194	2 326	2 520	3 012	5 126

Foreign currency risk

The Group's financial assets and liabilities subject to foreign exchange risk include cash and cash equivalents, trade and other payables, advances on construction, short-term loans, payables to suppliers and contractors, long-term debts to financial institutions and leasing companies.

The Group does not use financial instruments to manage the foreign currency fluctuations risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates.

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

The management of the Group think that the financial assets and liabilities of the Group on December 31, 2020 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.

The Group does not have any policies for managing the interest rate risks.

Liquidity risk

Liquidity risk is the risk that suitable resources of funding for the Group’s business activities may not be available.

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

Capital management

Main objective of the Group from capital risk management perspective is to ensure that the Group complies with going concern assumption, by providing positive returns to shareholders, benefits to other stakeholders as well as to maintain optimal capital structure, thereby reducing the cost of capital. In order to determine the optimal capital structure, the Group's management may decide on payment of dividends, return on equity indices or issue of equity.

Fair value estimation

Fair value

Fair value represents the amount at which an asset could be exchanged or liability settled on an arm’s length basis.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or

- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 — valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Fair value of financial instruments

The Group has financial instruments which are not measured at fair value in the statement of financial position. For these financial instruments, the fair values are not materially different to their carrying amounts, since the interest payable is close to current market rates.

The fair value of the following financial assets and liabilities approximate their carrying amount:

- trade and other receivables;
- other current financial assets;
- cash and cash equivalents;
- trade and other payables.

3. Segment information

	Logging		Timber processing		Transport		Other		Total	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Net turnover	5 684 964	5 471 000	48 029 918	48 424 981	3 376 654	2 883 774	543 195	624 763	57 634 731	57 404 518
Production costs of the sold production	(6 009 887)	(5 847 359)	(41 217 012)	(48 330 090)	(3 362 475)	(2 868 814)	(886 745)	(1 183 761)	(51 476 119)	(58 230 024)
Selling costs	(173)	0	(830)	0	0	0	(8 333)	(50)	(9 336)	(50)
General administration costs	(12 027)	(8 133)	(44 527)	(46 538)	(2)	0	(316 316)	(316 884)	(372 872)	(371 555)
Other income/expenditures from Group's economic activity	383 440	(107 963)	(117 983)	38 711	(11 412)	(8 431)	(438 388)	33 559	(184 343)	(44 124)
Profit or loss from economic activity	**46 317**	**(492 455)**	**6 649 566**	**87 064**	**2 765**	**6 529**	**(1 106 587)**	**(842 373)**	**5 592 061**	**(1 241 235)**
Other interest income/payments and the like income	(2 027)	(3 930)	(112 356)	(118 735)	0	0	(432 698)	(337 857)	(547 081)	(460 522)
Company's deferred income tax	0	0	0	0	0	0	10 734	(288 424)	10 734	(282 424)
Corporate income tax	0	0	0	0	0	0	(5 117)	(5 117)	(5 117)	(5 117)
Income from segments activities	(471 010)	(387 234)	(796 534)	(737 735)	0	0	1 267 544	1 124 969	0	0
Profit or (loss)	**(426 720)**	**(883 619)**	**5 740 676**	**(769 406)**	**2 765**	**6 529**	**(266 124)**	**(348 802)**	**5 050 597**	**(1 995 298)**

Segment assets	4 076 833	3 774 118	34 443 480	33 405 522	2 421 485	1 989 345	389 539	430 987	41 331 336	39 599 972
Segment liabilities	4 825 474	3 973 683	33 094 068	32 867 412	2 699 807	1 950 969	711 988	805 030	41 331 336	39 599 972

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

The management of the Group 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.

Transport

Income in this segment mainly arises from incomes of wood transportation services.

Other

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

4. Revenue

Since the economic activity of the Group 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.

	2020	**2019**
Revenues by region	EUR	EUR
Revenue from sale of goods /rendering of services in Latvia	57 617 808	57 387 266
Revenue from sale of goods /rendering of services in Russia	16 923	17 252
	57 634 731	**57 404 518**

5. Cost of sales

	2020	**2019**
	EUR	EUR
Material purchasing costs	1 219 122	1 648 498
Felling rights	1 669 664	2 028 451
Sawlogs purchasing costs	32 768 985	37 655 790
Correction for inventory from unfinished production	(457 492)	222 636
With production-related contractors services	3 045 608	2 414 768
Woodworking equipment maintenance costs	562 701	703 645
Woodworking and forestry equipment maintenance costs	853 754	912 894
Fuel costs	1 047 218	1 179 690
Revaluation of biological assets	(219 162)	247 143
Electricity and heating costs	1 892 590	2 228 075
Wages	4 160 939	3 945 692
State mandatory social security contributions	1 079 127	1 065 068
Accruals for unused vacations	390 743	382 245
Depreciation of plant and equipment and intangible assets	1 821 263	2 101 943
Depreciation of the right to use assets	920 554	854 078

Real estate tax	39 229	20 998
Lease payments for wood processing, forestry machinery and equipment	308 591	207 624
Other services received	372 685	410 786
	51 476 119	**58 230 024**

6. Distribution costs

	2020	**2019**
	EUR	EUR
Advertisement, market research and marketing costs	9 336	50
	9 336	**50**

7. Administration expenses

	2020	**2019**
	EUR	EUR
Wages	78 550	87 213
State mandatory social security contributions	19 801	22 690
Accruals for unused vacations	6 835	7 997
Office maintenance costs	32 783	45 702
Bank services	26 649	40 650
Depreciation of plant and equipment and intangible assets	45 098	50 173
Real estate tax	2 157	10 176
Audit costs for annual report	9 950	9 950
Vehicle costs for administration	6 385	8 167
Other administration costs	91 394	75 527
Legal services	53 270	13 310
	372 872	**371 555**

8. Other operating income / expense

Other operating income

	2020	**2019**
	EUR	EUR
Income from disposal of intangible assets and fixed assets	104 876	13 614
Income from rents	86 249	85 993
Deferred revenue write-downs (see also Note 27)	284 180	267 455
Co – financing form Rural Support Service and EU structural funds	22 115	35 317
Net income from currency exchange rate fluctuations**	0	39 830
Other income	567 954	537 524
	1 065 374	**979 733**

*** During the reporting year, to improve the quality of prepared financial statements, changes have been made to the classification of items. In the financial statements for 2019, the respective transaction was classified in the income statement item "Other operating expenses", the reclassification has no effect on the financial result..*

Object of long-term investment	Net carrying amount at the time of exclusion	Proceeds from disposal	Gross income or expenses	Gain or loss on disposal o fan item
Technological equipment and machinery	12 333	68 000	55 667	55 667
Other fixed assets	0	1 500	1 500	1 500
Technological equipment and machinery	43 241	90 000	46 759	46 759
Other fixed assets	0	350	350	350
Other fixed assets	0	300	300	300
Other fixed assets	0	300	300	300
Other fixed assets	732	732	0	0
Kopā	**56 306**	**161 182**	**104 876**	**104 876**

Other operating expense

	2020	**2019**
	EUR	EUR
Rent on real estate	4 122	4 183
Inventory expenses	7 092	15 771
Net loss from currency exchange rate fluctuations	31 926	0
Security service costs	141 741	132 950
Utilities and maintenance costs	158 382	156 313
Insurance payments	42 272	40 646
Employee training expenses	16 635	16 297
Labour protection, work clothes	60 333	58 342
Health Insurance	56 440	57 818
Penalties paid	22 531	20 153
Provisions for doubtful debts	0	27 671
Costs of fixed assets disposal	62 785	103 278
Staff sustainability costs	14 672	12 577
Donations	300	1 000
Impairment losses from investments in associates/related companies	0	52 410
Other costs	617 308	324 448
	1 249 717	**1 023 857**

9. Finance income / expenses

	2020	**2019**
	EUR	EUR
Other interest income	1 258	119
	1 258	**119**
Interest expense	497 434	392 444
Interest expense on lease obligations	50 905	68 197
	548 339	**460 641**

10. Corporate income tax

The Group companies JSC "PATA Saldus" and SIA "PAKUĻU SPORTA BĀZE" calculate its corporate income tax in accordance laws and regulations of the Republic of Latvia.

a) **Components of corporate income tax**

	2020 EUR	2019 EUR
Corporate income tax according to the tax return	5 117	5 117
Change in deferred tax	(10 734)	288 424
	(5 617)	**293 541**

The gross movement on the deferred income tax account is as follows:

	2020 EUR	2019 EUR
At 1 January	0	288 424
(Decrease) / increase in the reporting year	10 734	(288 424)
	10 734	**0**

11. Intangible assets

		Software EUR	Total
Cost at 31.12.2019		**121 032**	**121 032**
2020	Additions	23 237	**23 237**
Cost at 31.12.2020		**144 269**	**144 269**
Accumulated amortisation at 31.12.2019		**(86 035)**	**(86 035)**
2019	Amortisation charge	(15 484)	**(15 484)**
Accumulated amortisation at 31.12.2020		**(101 519)**	**(101 519)**
Net book amount at 31.12.2019		**34 997**	**34 997**
Net book amount at 31.12.2020		**42 750**	**42 750**
Amortisation rate (by linear method)		5 years	

12. Property, plant and equipment

		Land and buildings	Technological equipment and machinery	Other fixed assets	Construction in progress	**Total**
		EUR	EUR	EUR	EUR	EUR
Cost at 31.12.2019		**9 796 618**	**25 555 509**	**366 126**	**373 596**	**36 091 849**
2020	Additions	322 113	68 408	16 255	517 680	924 456
	Disposals	(246 230)	(527 083)	(25 353)	(47)	(798 713)
	Reclassification between other asset items	0	516 924	0	(516 924)	0
	Currency fluctuations	(71 227)	0	(8 747)	(33 253)	(113 227)
Cost at 31.12.2020		**9 801 274**	**25 613 758**	**348 281**	**341 052**	**36 104 365**
Accumulated depreciation at 31.12.2019		**3 731 835**	**12 926 276**	**282 701**	**0**	**16 940 812**
2020	Depreciation charge	355 517	1 422 585	67 532	0	1 845 634
	Disposals	(29 885)	(471 508)	(24 622)	0	(526 015)
Accumulated depreciation at 31.12.2020		**4 057 467**	**13 877 353**	**325 611**	**0**	**18 260 431**
Net book amount at 31.12.2019		**6 064 783**	**12 629 233**	**83 425**	**373 596**	**19 151 037**
Net book amount at 31.12.2020		**5 743 807**	**11 736 405**	**22 670**	**341 052**	**17 843 934**

Depreciation rate (by linear method)	5-20 years	2-15 years	2-10 years

Cadastral value of fixed assets
Cadastral value of land and buildings at December 31, 2020 is EUR 1 489 532.

Revaluation reserve changes in the reporting year by asset positions are as follows:

	Revaluation reserve 31.12.2020	**Correction for the increase of revaluation reserve**	**Revaluation reserve 31.12.2019**
	EUR	**EUR**	**EUR**
Real Estate:			
a) Land and buildings	1 477 868	107 811	1 370 057
TOTAL	**1 477 868**	**107 811**	**1 370 057**

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

	31.12.2020	**31.12.2019**
	EUR	EUR
Initial Value	1 857 121	1 852 471
Residual value	**1 857 121**	**1 852 471**

Rights of used assets
Carrying amount and changes of rights of used assets during the reporting period:

	Iekārtas un mašīnas	Transportlīdzekļi	**Kopā**
	EUR	**EUR**	**EUR**
On 01.01.2019.	**2 646 594**	**56 655**	**2 703 249**
Additions	296 160	20 529	**316 689**
Reclassification between other asset items	260 844	43 899	**304 743**
Depreciation	(972 656)	(27 650)	**(1 000 306)**
On 31.12.2019	**2 230 942**	**93 433**	**2 324 375**
Additions	289 910	0	**289 910**
Depreciation	(1 045 987)	(28 676)	**(1 074 663)**
On 31.12.2020.	**1 474 865**	**64 757**	**1 539 622**

13. Inventories

	31.12.2020	**31.12.2019**
Raw materials, basic materials and consumables	EUR	EUR
Materials, spare parts, inventory	248 491	340 892
Raw material (logs in the forest and sawmill)	968 323	1 678 791
Total	**1 216 814**	**2 019 683**

	31.12.2020	**31.12.2019**
Biological assets	EUR	EUR
Biological assets	1 510 937	1 319 691
Total	**1 510 937**	**1 319 691**

Unfinished production	31.12.2020 EUR	31.12.2019 EUR
Unfinished products (logs in the forest and sawmill)	268 432	170 189
Sawn timber in production	1 440 687	1 013 969
Total	**1 709 119**	**1 184 158**

Finished production and goods for sale	31.12.2020 EUR	31.12.2019 EUR
Finished goods - sawn timber	1 002 125	1 873 796
Total	**1 002 125**	**1 873 796**

During the Group’s inventory count as at 31.12.2020. non-marketable stocks were not found.

Advance payments for goods	31.12.2020 EUR	31.12.2019 EUR
Advance payments for goods	170 942	18 052
Total	**170 942**	**18 052**

14. Trade receivables

	31.12.2020 EUR	31.12.2019 EUR
Trade receivables at their carrying amount	595 629	870 650
Provision for expected credit losses	(1 845)	(5 975)
	593 784	**864 675**

Movements in the provision for expected credit losses

	31.12.2020 EUR	31.12.2019 EUR
Provision for expected credit losses at the beginning of the reporting year	5 975	26 518
Increase / (decrease) in the provision for expected credit losses	(4 130)	(20 543)
	1 845	**5 975**

15. Receivables from related companies

Current	31.12.2020 EUR	31.12.2019 EUR
Receivables from related companies for supply of goods and services provided	14 393 992	9 832 953
Provisions for bad and doubtful debts*	(11 333)	(67 597)
	14 382 659	**9 765 356**

* Provisions for bad and doubtful debts

	31.12.2020	31.12.2019
	EUR	EUR
Provisions for bad and doubtful debts at the beginning of the year	67 597	0
Provisions for bad and doubtful debts	(56 264)	67 597
	11 333	**67 597**

16. Other receivables

	31.12.2020	31.12.2019
	EUR	EUR
VAT overpayment	274 794	101 410
Paid guarantee fees	5 003	4 668
Other receivables	7 656	2 272
	287 453	**108 350**

17. Prepaid expenses

	31.12.2020	31.12.2019
	EUR	EUR
Insurance payments	12 603	16 638
Subscription fees	44	38
Employee health insurance payments	8 591	8 344
1st. lease instalment	96 939	130 145
Other expenses	122 067	58 184
	240 244	**213 349**

18. Cash and cash equivalents

	31.12.2020	31.12.2019
	EUR	EUR
Cash at bank	64 090	3 719
	64 090	**3 719**

19. Share capital

The Parent company of the Group is a joint-stock company. The Parent company has a share capital of EUR 579 916. On December 18, 2019, the Register of Enterprises of the Republic of Latvia registered changes in the Statutes, which stipulate that the share capital shall be divided into 828 452 shares. The nominal value of each share is EUR 0.70 (zero euro 70 cents). 774 272 shares are public bearer shares and are in dematerialized form, while 54 180 shares are personal, registered shares.Bearer shares give equal right to receive dividends, liquidation quota and voting rights at the shareholders meeting. Employee shares are registered shares. Only employees and Board and Council members of the company or company itself can gain employee shares. Owners of employee shares have equal right to receive dividends. But owners of employee shares have no voting rights at the shareholders meetings as well as they have no right to receive liquidation quota. Board and Council members do not own voting shares.

In the reporting year, the Group's share capital remained unchanged.

Ultimate Parent company is SIA "PATA", legal address Miera iela 2, Inčukalns, Inčukalna pag., Inčukalna novads, LV-2141. The 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.

20. Loans from credit institutions

	31.12.2020	31.12.2019
	EUR	EUR
Non-current		
Luminor Bank AS (2013-104-OD)	9 532 134	9 352.964
Luminor Bank AS (2012-85-A)	0	86 504
Luminor Bank AS (2012-84-A)	0	292 397
Luminor Bank AS (2006/202/A)	0	4 876
Luminor Bank AS (2014-169-A)	0	109 638
Luminor Bank AS (2017-42-A-CFLA)	514 293	850 989
Luminor Bank AS (196K/18T-CFLA)	0	957 375
	10 046 427	**11 654 743**
Current		
Luminor Bank AS (2010-139-OD)	0	25 658
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)	0	58 510
Luminor Bank AS (2014-169-A)	294 819	480 000
Luminor Bank AS (2017-42-A-CFLA)	336 696	336 696
Luminor Bank AS (196K/18T-CFLA)	957 375	166 500
	1 967 791	**1 446 265**

Agreement No. 2013-104-OD - Subject of the pledge: All commercial pledgor’s property as a whole at the moment of pledging, as well as the future components of the pledge. Registered mortgage on the real estate owned by the Company at the address Kuldīgas Street 86A, Saldus, Saldus district. The maximum amount of the secured claim is EUR 12 398 100.

Agreement No. 196K/18T - Subject of the pledge: Property, plant and equipment. The maximum amount of the secured claim is EUR 1 950 000.

Agreement No.2017-42-A - Subject of the pledge: Property, plant and equipment. The maximum amount of the secured claim is EUR 3 090 703.

Mezzanine loan agreement No.MA/12/14 - Subject of the pledge: Property, plant and equipment. The maximum amount of the secured claim is EUR 2 065 800.

Agreement No.2014-169-A - Subject of the pledge: Property, plant and equipment. The maximum amount of the secured claim is EUR 3 120 000.

Agreement No.2012-85-A - Subject of the pledge: All commercial pledgor’s property as a whole at the moment of pledging, as well as the future components of the pledge. The maximum amount of the secured claim is EUR 832 380.01.

Agreement No.2012-84-A - Subject of the pledge: All commercial pledgor’s property as a whole at the moment of pledging, as well as the future components of the pledge. The maximum amount of the secured claim is EUR 3 699 466.71.

Ovedraft and Guarantee Line Agreement No.2011-494-ODGA - Subject of the pledge: All commercial pledgor’s property as a whole at the moment of pledging, as well as the future components of the pledge. The maximum amount of the secured claim is EUR 1 820 137.62.

Ovedraft agreement No.2011-150-OD - Subject of the pledge: All commercial pledgor’s property as a whole at the moment of pledging, as well as the future components of the pledge. The maximum amount of the secured claim is EUR 1 942 220.02.

The Company's liabilities to the credit institution are strengthened by a guarantee of a related company.

Loan repayment terms are until 31.05.2022.

21. Other loans

	31.12.2020	31.12.2019
Non-current	EUR	EUR
Other loans	649 580	861 574
JSC Attistības finanšu institūcija Altum*	847 299	1 165 059
Obligations under finance leases	592 209	1 296 211
	2 089 088	**3 322 844**
Current		
JSC Attistības finanšu institūcija Altum*	317 760	317 760
Obligations under finance leases	949 241	1 061 087
	1 267 001	**1 378 847**

Loan from JSC 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.

Lease obligations

The Group has lease agreements for various equipment, machinery, vehicles used in its operations. The lease term of equipment and machinery is usually from 3 to 6 years, while the lease term for vehicles and other equipment is usually from 3 to 5 years.

Carrying amount of lease liabilities and changes during the reporting period:

	Kopā
	EUR
On 01.01.2019.	**2 703 249**
Additions	217 940
Interest calculated	67 006
Payments	(630 897)
On 31.12.2019	**2 357 298**
Additions	279 735
Interest calculated	50 905
Payments	(1 146 488)
On 31.12.2020.	**1 541 450**

22. Prepayments received from customers

	31.12.2020	31.12.2019
Current	EUR	EUR
Payables for supplies of goods and services provided	57 000	37 410
	57 000	**37 410**

23. Trade payables

	31.12.2020	31.12.2019
Current	EUR	EUR
Payables for supplies of goods and services provided	4 144 415	5 821 236
	4 144 415	**5 821 236**

24. Payables to related companies

Current	31.12.2020 EUR	31.12.2019 EUR
Payables for supplies of goods and services provided	1 206 312	789 005
	1 206 312	**789 005**

25. Taxes and statutory social insurance contributions

	31.12.2020 EUR	31.12.2019 EUR
Personal income tax	136 013	107 329
Statutory social insurance contributions	278 345	105 897
Real estate tax	438	438
Corporate income tax	5 117	5 117
Nature resource tax	2 311	1 269
Business risk state duty	65	0
Other taxes	3 581	5 798
	425 870	**225 848**

26. Other payables

	31.12.2020 EUR	31.12.2019 EUR
Salaries	254 377	208 898
Other payables	4 218	3 163
	258 595	**212 061**

27. Deferred income

Non-current	31.12.2020 EUR	31.12.2019 EUR
EU co-financing for acquisition of assets - long-term part	1 754 321	2 038 501
	1 754 321	**2 038 501**
Current		
EU co-financing for acquisition of assets - short-term part	284 180	284 180
	284 180	**284 180**

Deferred income includes: 1. V/A Latvian Investment and Development Agency (LIDA) 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. 3. Financing of the program of the Central Finance and Contracts Agency according to the project / contract on the implementation of the European Union fund project No. 4.1.1.0/17/A/007 “To ensure significant energy savings for JSC PATA Saldus” received from 2018 in the amount of EUR 589 454 for the acquisition and establishment of fixed assets. 4. Financing of the program of the Central Finance and Contracts Agency according to the project / contract on the implementation of the European Union fund project No. 4.1.1.0/18/A/017 “To ensure significant energy savings for JSC PATA Saldus number 2 ”, received from 2019 in the amount of EUR 334 500 for the acquisition and establishment 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 Group 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. In non – compliance case with agreement conditions the Group could be required to repay the funds. According to management's assessment, this scenario is very unlikely.

28. Accrued liabilities

	31.12.2020	31.12.2019
	EUR	EUR
Accrued liabilities	64 085	61 401
Accrued liabilities – unused annual leaves	386 797	345 161
	450 882	**406 562**

29. Basic and diluted earnings per share

Basic earnings per share are calculated by dividing the profit attributable to owners of the Parent company by the weighted average number of ordinary shares in issue during the year. The Parent company has no potential dilutive ordinary shares; therefore, diluted earnings per share are the same as the basic earnings per share.

	2020	2019
	EUR	EUR
Net earnings attributable to owners of the Parent company	5 050 597	(1 995 298)
Weighted average number of ordinary shares in issue	828 452	828 452
	6.10	**(2.41)**

30. Remuneration to commercial company of sworn auditors

	2020	2019
	EUR	EUR
Audit of financial statements and consolidated financial statements	9 950	9 950
	9 950	**9 950**

31. Average number of employees in the Group

Average number of employees during the reporting year - 239 (2019 - 239).

32. Compensation of key management personnel

	2020	2019
	EUR	EUR
Salary of the Chairman of the Board	48 090	2 063
Statutory social insurance contributions of the Chairman of the Board	5 290	497
	53 380	**2 560**

33. Expenditures due to the environment protection

The core economic activity of the Group is production of timber. Polyethylene plastic is used as a wrapping material. 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 Group 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, intcl. unplanned taxes and decreased ecological risks at all sites.

34. Related party transactions

The main shareholder of the Group, whose effective interest is 67% of shares of the Group, is SIA “PATA” (Latvia), reg.No.40003448619. The ultimate Parent company is SIA “PATA” (Latvia).

In 2020, the Group had transactions with the following group companies that are directly or indirectly subsidiaries of SIA “PATA”. The Group had also transactions with companies owned by its subsidiaries and with related entity SIA “SALDUS ENERĢIJA” (Latvia), that is not part of the Group. During the financial year the Group has not entered into transactions with the Management Board and Council members, with the exception of salaries paid for the job.

	31.12.2020		31.12.2019	
	Receivables EUR	**Payables EUR**	**Receivables EUR**	**Payables EUR**
Related companies				
Parent company	14 393 992	1 206 312	8 976 351	0
Subsidiaries	5 139	0	5 355	0
	14 399 131	**1 206 312**	**8 981 706**	**0**
Other related parties				
Board and Council members	0	588 000	0	588 333
	0	**588 000**	**0**	**588 333**
	14 399 131	**1 794 312**	**8 981 706**	**588 333**

	Sales to related parties		Purchase from related parties	
	2020 EUR	**2019 EUR**	**2020 EUR**	**2019 EUR**
Related companies				
Goods and services for sale	50 247 455	50 951 304	11 166 714	11 129 827
	50 247 455	**50 951 304**	**11 166 714**	**11 129 827**
Other related parties				
Goods and services for sale	0	0	0	1 043 807
	0	**0**	**0**	**1 043 807**
	50 247 455	**50 951 304**	**11 166 714**	**12 173 634**

35. Going concern concept

The Group has finished the financial year, which was closed on 31 December 2020, with profit of EUR 5 050 597. As of this date, Group's current assets exceeded current liabilities by EUR 11 116 122, and total assets exceeded total liabilities by EUR 17 379 454.

Financial results of 2020 are in accordance with going concern assumption, as well as a going concern is dependent of financial results in next periods.

36. Events after the reporting period

As of the last day of the reporting period until the date of signing of these financial statements there were no material events, which would have a significant effect on the financial position of the Group as at 31 December 2020.

Saldus, April 30, 2021

Board:

Gatis Zommers	Jānis Mierkalns	Ilze Bukulde	Inga Siliņa
Chairman of the Board	Member of the Board	Member of the Board	Chief accountant

Independent Auditor's Report