

**AS “TALSU MEŽRŪPNIECĪBA”**

(REGISTRATION NUMBER 40003113243)

**ANNUAL REPORT FOR 6 MONTHS OF THE YEAR 2010  
(NON-AUDITED)**

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## **Informācija par Sabiedrību**

Company name	A/s „Talsu Mežrūpniecība”
Legal Status	Joint stock company
Registration number, time and place	40003113243, Riga January 29, 1993
Legal address	Eksporta iela 26, Tukums, LV- 3104
Address of the executive bodies	Dumpīšu iela 3, Stende, LV – 3257
Shareholders	Public placement at LCD – 230,000 shares Closed issue - 267,399 shares Boards' shares - 2,300 shares
Board	<b>Gatis Štāks</b> , chairman of the Board ID code 260576-11140, Talsu district., Rojas parish “Birzītes” <b>Ruta Krūze</b> , member of the Board ID code 060949-12518 Talsu district., Ģibuļu parish. Ņameji” <b>Asmeralda Kļava</b> , member of the Board ID code 130454-12512 Talsu district. Sabiles parish „Vītiņi” LV-3294
Supervisory Board	<b>Ian Frederick Thomson</b> , Chairman of the Supervisory Board, passport 204409473, born December 27, 1948, Citizen of UK <b>Ivo Šneiders</b> , member of the Supervisory Board ID code 290877-11090 Tukuma district., Kandava , Zīļu street 22 <b>Andra Ožeta</b> , member of the Supervisory Board ID code 210375-11107 Tukumā, Meža street 4 – 26 <b>Sanita Berķe</b> , member of the Supervisory Board ID code 210767-11283 Riga district., Siguldas parish, Institūta street 10–9 <b>Ivars Frīdemanis</b> , member of the Supervisory Board ID code 190271-11115 Zemītes street 32, . Kandava, Tukuma district
Reporting period	January 1, 2009 – December 31, 2009
Auditor – name and address	Zane Kotāne, sworn auditor, Certificate nr.141 “Revīzija un vadības konsultācijas”, SIA Registration number.40003611571 Licence nr. 79 Dārzaugļu street 1-107, Riga, LV-1012 Latvia

## **Management Report**

The main activities of the Company in 2010 were logging and production of timber products: peeled and turn poles production in timber processing unit.

The financial position of the Company during 6 month of the 2009 was influenced by increased production output, increased prices and determined decrease of costs of the Company (salaries, materials and other resources).

During 6 month 2010, 6 501 m<sup>3</sup> pales were produced in the timber processing unit and woodchips of 23 737 m<sup>3</sup> were sold.

Total revenues for the Company during 6 month 2010 were Ls 707 055.

The result for 6 month 2010 is profit Ls 102 736 which corresponds to Ls 0.20725 profit per share.

In the future the Company plans to continue the production of peeled and turn poles, increasing the proportion of timber purchased from small logging companies and private loggers, whose price offering is lower than that of VAS Latvijas valsts meži. It is also planned to sell the produced goods to a wider network of clients, achieving the most beneficial sales price.

### **Suggestions for distribution of profit and covering of losses**

The profit for the year will be used to cover losses of the prior periods.

### **Board:**

July 19, 2010

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Gatis Štāks  
In name of the Board  
Based on issued authorisation

July 19, 2010, Stende.

JSC “Talsu mežrūpniecība”  
Interim financials statement for 6 months  
of the year 2010

## **JSC “TALSU MEŽRŪPNIECĪBA”**

### **DECLARATION**

#### **on the responsibility of Management**

JSC “Talsu mežrūpniecība” is responsible for the preparation of the financial report of the company.

The Interim financial report for 6 months of the year 2010 of JSC “Talsu mežrūpniecība” is prepared, basing on the source documents and provides clear and true view on the financial standing of the Company as of June 30, 2010, its financial results in 2010 and the cash flow.

The Financial Report has been prepared in accordance with the Laws being in force and with the book-keeping standarts of the Republic of Latvia, basing upon the principle of continuation of entrepreneurship. During the reporting year the appropriate accounting methods have been consequently applied.

JSC “Talsu mežrūpniecība” is responsible for the provision of appropriate accounting, preservation of company’s assets, as well as for detection and averting of violations.

Chairman of Board

G.ŠTĀKS

June 19, 2010.

### Profit and Loss Statement

	Note	2010 Ls	2009 Ls	2010 EUR	2009 EUR
Revenues	2	707 055	634 389	1 006 049	902 654
Cost of goods sold	3	(621 116)	(598 356)	(883 768)	(851 384)
<b>Gross result</b>		<b>85 939</b>	<b>36 033</b>	<b>122 281</b>	<b>51 270</b>
Administration expenses	4	(18 962)	(17 532)	(26 980)	(24 946)
Other operating income		49 056		69 800	-
Other operating expenses	5	(4 059)	(10 440)	(5 775)	(14 855)
Financial income	6	975	2 951	1 387	4 199
Financial expenses	7	(9 397)	(6 624)	(13 371)	(9 425)
<b>Profit (loss) before taxes</b>		<b>103 552</b>	<b>4 388</b>	<b>147 342</b>	<b>6 243</b>
Deferred corporate income tax	8			-	-
Other taxes		(816)	(894)	(1 161)	(1 272)
<b>Net profit (loss)</b>		<b>102 736</b>	<b>3 494</b>	<b>146 181</b>	<b>4 971</b>

Notes on pages 10 to 19 are integral part of the financial statements

**Board:**

July 19, 2010

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Gatis Štāks  
 In name of the Board  
 Based on issued authorisation

## Balance Sheet

		<b>ASSETS</b>			
<b>LONG TERM ASSETS</b>	Note	30.06.2010 Ls	30.06.2009 Ls	30.06.2010 EUR	30.06.2009 EUR
<b>Fixed assets</b>					
Land, buildings and constructions		38 268	38 436	54 450	54 690
Machinery and equipments		110 574	155 193	157 333	220 820
Other fixed assets		10 338	14 433	14 710	20 536
Advances for fixed assets		23 258	-	33 093	
TOTAL	9	<b>182 438</b>	<b>208 062</b>	<b>259 586</b>	<b>296 046</b>
<b>Biological assets</b>					
Forest	10	-	18 975	-	26 999
TOTAL		-	<b>18 975</b>	-	<b>26 999</b>
<b>TOTAL LONG TERM ASSETS</b>		-	<b>227 037</b>	-	<b>323 045</b>
<b>CURRENT ASSETS</b>					
<b>Inventories</b>					
Materials		8 299	8 017	11 808	11 407
Production in progress		12 957		18 436	-
Goods for sale		54 139	99 816	77 033	142 025
Advances for goods		18 975	7 800	26 999	11 098
TOTAL		<b>94 370</b>	<b>115 633</b>	<b>134 276</b>	<b>164 531</b>
<b>Debtors</b>					
Trade receivables, net	11	79 458	155 760	113 059	221 627
Other debtors	12	12 352	4 992	17 575	7 103
Prepaid expenses		2 222	3 212	3 162	4 570
TOTAL		<b>94 032</b>	<b>163 964</b>	<b>133 795</b>	<b>233 300</b>
<b>Cash and cash equivalents</b>		172 256	44 836	245 098	63 796
<b>TOTAL CURRENT ASSETS</b>		<b>360 658</b>	<b>324 433</b>	<b>513 170</b>	<b>461 627</b>
<b>TOTAL ASSETS</b>		<b>543 096</b>	<b>551 470</b>	<b>772 756</b>	<b>784 671</b>

Notes on pages 10 to 19 are integral part of the financial statements

**Board:**

July 19, 2010

\_\_\_\_\_  
Gatis Štāks  
In name of the Board  
Based on issued authorisation

**AS „TALSU MEŽRŪPNIECĪBA”**  
**ANNUAL REPORT OF 6 MONTHS OF THE YEAR 2010 (NON – AUDITED)**

**EQUITY AND LIABILITIES**

<b>EQUITY</b>	Note	31.12.2009. Ls	31.12.2008. Ls	31.12.2009. EUR	31.12.2008. EUR
Share capital	13	495 699	495 699	705 316	705 316
Retained earnings				-	-
Prior year loss		(216 160)	(243 324)	(307 568)	(346 219)
Current year profit (loss)		102 736	3 494	146 180	4 972
<b>Total equity</b>		<b>382 275</b>	<b>255 869</b>	<b>543 928</b>	<b>364 069</b>
<b>Provisions</b>					
Other provisions	14	13 973	20 161	19 882	28 687
<b>TOTAL PROVISIONS</b>		<b>13 973</b>	<b>20 161</b>	<b>19 882</b>	<b>28 687</b>
<b>LIABILITIES</b>					
<b>Long term liabilities</b>					
Payables to related parties	15		113 386		161 334
Loans from credit institutions	16	58 192	80 688	82 800	114 809
Deferred tax liabilities		10 524		14 974	
TOTAL		<b>68 716</b>	<b>194 074</b>	<b>97 774</b>	<b>276 142</b>
<b>Short term liabilities</b>					
Loans from credit institutions	16	10 120	12 925	14 399	18 391
Trade creditors		49 482	51 684	70 407	73 540
Taxes payable	17	7 624	6 386	10 848	9 086
Other liabilities		10 906	10 371	15 518	14 757
TOTAL		<b>78 132</b>	<b>81 366</b>	<b>111 172</b>	<b>115 773</b>
<b>TOTAL LIABILITIES</b>		<b>146 848</b>	<b>275 440</b>	<b>208 946</b>	<b>391 916</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>543 096</b>	<b>551 470</b>	<b>772 756</b>	<b>784 671</b>

Notes on pages 10 to 19 are integral part of the financial statements

**Board:**

July 19, 2010

Gatis Štāks  
In name of the Board  
Based on issued authorisation



## Equity Statement

<b>Ls</b>	Share capital	Prior period loss	Current period profit (loss)	<b>Total</b>
<b>January 1, 2008</b>	495 699	(131 753)	(111 571)	252 375
Transferred to prior period losses	-	(23 592)	23 592	-
Current period loss	-	-	3 494	3 494
<b>December 31, 2008</b>	<b>495 699</b>	<b>(155 345)</b>	<b>(84 485)</b>	<b>255 869</b>
Transferred to prior period losses	-	20 176	3 494	23 670
Current period profit	-	-	102 736	102 736
<b>December 31, 2009</b>	<b>495 699</b>	<b>(135 169)</b>	<b>21 745</b>	<b>382 275</b>

  

<b>EUR</b>	Share capital	Prior period loss	Current period profit (loss)	<b>Total</b>
<b>January 1, 2008</b>	705 316	(187 468)	(158 751)	359 097
Transferred to prior period losses	-	(33 568)	33 568	-
Current period loss	-	-	4 972	4 972
<b>December 31, 2008</b>	<b>705 316</b>	<b>(221 036)</b>	<b>(120 211)</b>	<b>364 069</b>
Transferred to prior period losses	-	28 707	4 972	33 679
Current period profit	-	-	146 180	146 180
<b>December 31, 2009</b>	<b>705 316</b>	<b>(192 329)</b>	<b>30 941</b>	<b>543 928</b>

Notes on pages 10 to 19 are integral part of the financial statements.

**Cash Flow Statement**  
(prepared based on indirect method)

	2009	2008	2009	2008
	Ls	Ls	EUR	EUR
<b>Operating cash flow</b>				
Profit (loss) before taxes	103 552	3 494	147 341	4 972
Adjustments:			-	-
Depreciation	19 178	21 422	27 288	30 481
Interest (income)/expenses	7 579		10 784	-
Increases/(decrease) in provisions			-	-
Asset write offs			-	-
(Profit)/loss from sale of fixed assets	(26 653)		(37 924)	-
Revaluation of biological assets				
(profit)/loss from currency fluctuations				
<b>Operating cash flow before changes in current assets</b>	<b>103 656</b>	<b>24 916</b>	<b>147 489</b>	<b>35 452</b>
Decrease/(increase) of inventories	73 882	96 009	105 125	136 608
Decrease/(increase) of debtors	10 250	(37 553)	14 584	(53 433)
Increases/(decrease) in creditors	(104 419)	(36 876)	(148 575)	(52 470)
<b>Operating cash flow</b>	<b>83 369</b>	<b>46 496</b>	<b>118 623</b>	<b>66 158</b>
Interest paid	(9 397)		(13 371)	-
Corporate income tax paid				
Real estate tax paid	(816)		(1 161)	-
<b>Net operating cash flow</b>	<b>73 156</b>	<b>46 496</b>	<b>104 092</b>	<b>66 158</b>
<b>Cash flow from investing activities</b>				
Acquisition of long term assets	(40 593)	(3 395)	(57 759)	(4 831)
Income from sale of fixed assets	61 562		87 595	
<b>Net cash flow from investing activities</b>	<b>20 969</b>	<b>(3 395)</b>	<b>29 836</b>	<b>(4 831)</b>
<b>Cash flow from financing activities</b>				
Loans received/(paid), net	(23 702)		(33 725)	-
<b>Net financing cash flow</b>			-	-
<b>Cash increase/(decrease)</b>	<b>94 125</b>	<b>43 101</b>	<b>133 928</b>	<b>61 327</b>
<b>Cash at the beginning of the year</b>	<b>78 131</b>	<b>1 735</b>	<b>111 170</b>	<b>2 469</b>
<b>Cash at the end of the year</b>	<b>172 256</b>	<b>44 836</b>	<b>245 098</b>	<b>63 796</b>

Notes on pages 10 to 19 are integral part of the financial statements.

## **Notes**

### **1. Significant accounting policies**

#### **Annual report preparation principles**

The annual report is prepared in accordance with the Law on Accounting, Law of Annual Accounts and Latvian accounting standards applicable as of December 31, 2007. For preparation of this annual report following Latvian accounting standards (LGS) were in force – LGS1 – main principles for annual reports, LGS 2 –Cash flow statements, LGS 3- Subsequent events, LGS 4 – Change of accounting policies, estimates and correction of major mistakes, LGS5 – Long term agreements, LGS6 – Revenues, LGS7 – Fixed assets and LGS 8 – Provisions, contingent liabilities and assets, LGS 9 – Investment properties.

Profit and loss statement was prepared based on turnover method.

Cash flow statement is prepared by indirect method.

The same accounting policies and valuation methods were applied in current and prior reporting year.

Annual report is prepared based on the going concern principle.

Taking into account requirements of the stock exchange, the amounts in the financial statements are disclosed also in EUR. All amounts are translated to EUR based on official Bank of Latvia fixed EUR rate.

#### **Foreign currency translation**

The accounting records are prepared in lats. All transaction in foreign currencies are translated to lats in according the Bank of Latvia rate as at date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are stated at the official currency exchange rate set by the Bank of Latvia at year end. Any gain or loss resulting from a change in the currency rates of exchange is included in the profit and loss statement at net value.

	<b>30.06.2010.</b>	<b>30.06.2009.</b>
	<b>LVL</b>	<b>LVL</b>
1 GBP	0.865	0.826
1 USD	0.521	0.501
1 EUR	0.702804	0.702804

#### **Fixed assets**

All fixed assets are initially recorded at purchase price. Land is regularly revaluated and accounted for at market value. Increase of the value resulting from revaluation is accounted as long term revaluation reserve and included in the equity of the Company. The decrease of the value is first deducted from previously recognised revaluation reserve for the same asset and any uncovered loss recognised as expense in profit and loss account.

Fixed assets are stated at historical value less accumulated depreciation.

The assets are depreciated over their estimated useful lives using the straight-line method. Following depreciation rates are applied for fixed assets:

	%
Buildings and constructions	3.33% - 5%
Machinery and equipment	10% - 20%
Other fixed assets	20% - 35%

## **1. Significant accounting policies (continued)**

### **Biological assets**

Company's biological assets are forests that are kept with the purpose to gain additional biological asset through means of growing. Biological assets are initially recognised and further accounted for based on fair value assessment, less sales expenses. The changes of the value of the assets that are due to revaluation to fair value, less relevant sales expenses, are accounted as expenses in profit and loss account.

When the Company starts development of the forest, the respective assets are reclassified from long term assets to current assets and are accounts as advances for goods within inventories.

### **Inventories**

Inventories are accounted in lower of cost and net realisable value. For raw materials the cost is calculated based on purchase cost accounting to FIFO method, but for work in progress and goods for sale the cost is calculated based their purchase price or production costs according to weighted average principle.

Net realisable value is selling price in the ordinary course of business, less the costs of completion, marketing and distribution.. Net value is disclosed as cast of production, less provisions established.

Advances for inventories include also cash paid for cutting rights on those cutting that were not yet processed at the end of the reporting period.

### **Receivables**

Trade receivables are recorded and disclosed in the balance sheet in accordance with initial amount of the invoices, less provision established for doubtful accounts. Provisions for doubtful accounts are estimated when full recoverability of the amount is not likely. Provisions for doubtful accounts are estimated by individual assessment of each debtor.

### **Corporate income tax**

Corporate income tax is calculated for the reporting year is calculated in accordance with regulatory requirements of the Republic of Latvia.

Deferred taxation arising from temporary differences in the timing of the recognition of items in the tax returns and these financial statements is calculated using the liability method. The deferred taxation liability is determined based on the current tax rates. The principal temporary timing differences arise from differing rates and methods of accounting and tax depreciation on tangible fixed assets, provision for vacation and accumulated tax losses.

### **Provisions**

Provisions are recognised, when the Company has commitments (legal or supported) due to past events where the likelihood of outflow of economical benefits for Company is estimated and the amount of the liabilities can be reasonably estimated.

**AS „TALSU MEŽRŪPNIECĪBA”**  
**ANNUAL REPORT OF 6 MONTHS OF THE YEAR 2010 (NON – AUDITED)**

**2. Revenues**

	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>Ls</b>	<b>Ls</b>	<b>EUR</b>	<b>EUR</b>
Timber product related revenues	608 835	556 030	865 867	791 159
Other revenues	98 520	78 359	140 182	111 495
<b>Total:</b>	<b>707 055</b>	<b>634 389</b>	<b>1 006 049</b>	<b>902 654</b>

**Revenues according to geographical markets:**

	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>Ls</b>	<b>Ls</b>	<b>EUR</b>	<b>EUR</b>
Latvia	612 966	514 732	872 172	732 398
Lithuania				
United Kingdom	94 089	119 657	133 877	170 256
<b>Total:</b>	<b>707 055</b>	<b>634 389</b>	<b>1 006 049</b>	<b>902 654</b>

**3. Cost of goods sold**

	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>Ls</b>	<b>Ls</b>	<b>EUR</b>	<b>EUR</b>
Cost of materials	407 163	373 921	579 340	532 042
Cost of external services	86 200	85 134	122 651	121 135
Depreciation	18 485	21 422	26 302	30 481
Salaries	76 811	78 125	109 292	1 111 162
Social contributions	22 251	22 267	31 660	31 693
Other costs of goods sold	10 206	17 487	14 523	24 881
<b>Total:</b>	<b>621 116</b>	<b>598 356</b>	<b>883 768</b>	<b>851 384</b>

**AS „TALSU MEŽRŪPNIECĪBA”**  
**ANNUAL REPORT OF 6 MONTHS OF THE YEAR 2010 (NON – AUDITED)**

**4. Administration expenses**

	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>Ls</b>	<b>Ls</b>	<b>EUR</b>	<b>EUR</b>
Personnel costs	15 730	13 798	22 381	19 632
Other administration expenses	3 232	3 734	4 599	5 314
<b>Total:</b>	<b>18 962</b>	<b>17 532</b>	<b>26 980</b>	<b>24 946</b>

The Board does not receive remuneration

**5. Other operating expenses**

	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>Ls</b>	<b>Ls</b>	<b>EUR</b>	<b>EUR</b>
Stock exchange related expenses	4 040	2 500	5 748	3 557
Other asset write offs				
Provisions for doubtful accounts				
Revaluation of biological assets				
Other expenses	19	7 940	27	11 298
<b>Total:</b>	<b>4 059</b>	<b>10 440</b>	<b>5 775</b>	<b>14 855</b>

**6. Financial income**

	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>Ls</b>	<b>Ls</b>	<b>EUR</b>	<b>EUR</b>
Income from currency fluctuations	905	2 944	1 287	4 189
Other income	70	7	100	10
<b>Total:</b>	<b>975</b>	<b>2 951</b>	<b>1 387</b>	<b>4 199</b>

**7. Financial expenses**

	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>Ls</b>	<b>Ls</b>	<b>EUR</b>	<b>EUR</b>
Interest expenses	1 734	5 786	2 468	8 232
Loss from currency fluctuations	7 663	838	10 903	1 193
<b>Total:</b>	<b>9 397</b>	<b>6 624</b>	<b>13 371</b>	<b>9 425</b>

**AS „TALSU MEŽRŪPNIECĪBA”**  
**ANNUAL REPORT OF 6 MONTHS OF THE YEAR 2010 (NON – AUDITED)**

**8. Corporate income tax**

	2010	2009	2010	2009
	Ls	Ls	EUR	EUR
Deferred corporate income tax income/ (expenses)		(6 314)		(8 984)
<b>Total:</b>		<b>(6 314)</b>		<b>(8 984)</b>

**9. Fixed assets**

Ls	Land, buildings and constructions				Machinery and equipment	Other fixed assets	Advances for fixed assets	TOTAL
	and constructions							
Historical cost 31.12.2009	93 570	848 191	39 279	2 733				983 773
2010 Acquisitions	2 758	13 511	1 065	23 283				40 617
2010 Write offs	-	(200 899)	(8 069)	(2 758)				(211 726)
Historical cost 31.12.2009	96 328	660 803	32 275	23 258				812 664
Accumulated depreciation 31.12.2008	56 597	709 613	27 154					793 364
2009 Depreciation	1 463	15 772	1 250					18 485
2009 Depreciation of assets written off	-	(175 156)	(6 467)					(181 623)
Accumulated depreciation 31.12.2009	58 060	550 229	21 937					630 226
<b>Net book value 31.12.2008</b>	<b>36 973</b>	<b>138 578</b>	<b>12 125</b>	<b>2 733</b>				<b>190 409</b>
<b>Net book value 31.12.2009</b>	<b>38 268</b>	<b>110 574</b>	<b>10 338</b>	<b>23 258</b>				<b>182 438</b>

EUR	Land, buildings and constructions				Machinery and equipment	Other fixed assets	Advances for fixed assets	TOTAL
	and constructions							
Historical cost 31.12.2009	133 138	1 206 866	55 890	3 889				1 399 783
2010 Acquisitions	3 924	19 224	1 515	33 128				57 791
2010 Write offs	-	(285 854)	(11 481)	(3 924)				(301 259)
Historical cost 30.06.2009	137 062	940 236	45 924	33 093				1 156 315
Accumulated depreciation 31.12.2009	80 530	1 009 688	38 637					1 128 855
2010 Depreciation	2 082	22 439	1 778					26 299
2010 Depreciation of assets written off	-	(249 224)	(9 201)					(258 425)
Accumulated depreciation 30.06.2009	82 612	782 903	31 214					896 729
<b>Net book value 31.12.2009</b>	<b>52 608</b>	<b>197 178</b>	<b>17 253</b>	<b>3 889</b>				<b>270 928</b>
<b>Net book value 30.06.2010</b>	<b>54 450</b>	<b>157 333</b>	<b>14 710</b>	<b>33 093</b>				<b>259 586</b>

Cadastral value of assets of the Company:

	2010	2009	2010	2009
	Ls	Ls	EUR	EUR
Land		11 700		16 647
Buildings and constructions		170 231		242 219
<b>Total:</b>	<b>-</b>	<b>181 931</b>	<b>-</b>	<b>258 866</b>

Fixed assets of the Company are pledged as security for credit line issued by SC „SEB bank” (see Note 18).

**AS „TALSU MEŽRŪPNIECĪBA”**  
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**10. Biological assets**

	2010	2009	2010	2009
	Ls	Ls	EUR	EUR
Value at the beginning of the year		18875		26857
Acquisitions during the year				
Revaluation to fair value				
Reclassified to current assets				
<b>Total:</b>	<b>-</b>	<b>18 875</b>	<b>-</b>	<b>26 857</b>

**11. Trade receivables, net**

	2010	2009	2010	2009
	Ls	Ls	EUR	EUR
Gross trade receivables	79 458	155 760	113 059	221 627
Provisions for doubtful accounts				
<b>Total:</b>	<b>79 458</b>	<b>155 760</b>	<b>113 059</b>	<b>221 627</b>

**12. Other debtors**

	2010	2009	2010	2009
	Ls	Ls	EUR	EUR
VAT receivable	1 878	4 858	2 672	6 913
Advance payments of Corporate income tax				
Other debtors	10 474	134	14 903	190
<b>Total:</b>	<b>12 352</b>	<b>4 992</b>	<b>17 575</b>	<b>7 103</b>

**13. Share capital**

Share capital of the Company consists of 495,699 shares with nominal value Ls 1 per share.

	Number	Value (Ls)	Total value (Ls)	Total value (EUR)
Close issue shares	265 699	1	265 699	378 058
Public placement	227 700	1	227 700	323 985
Boards' shares (without voting rights)	2 300	1	2 300	3 273
<b>Total:</b>	<b>495 699</b>		<b>495 699</b>	<b>705 316</b>



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**14. Other provisions**

	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>Ls</b>	<b>Ls</b>	<b>EUR</b>	<b>EUR</b>
Provisions for vacations	13 973	12 773	19 882	18 174
Other provisions		1 200		1 708
<b>Total:</b>	<b>13 973</b>	<b>13 973</b>	<b>19 882</b>	<b>19 882</b>

**15. Payables to related companies**

<i>Long term</i>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>Ls</b>	<b>Ls</b>	<b>EUR</b>	<b>EUR</b>
Payable to related company (USD)		113 386		161 334
<b>Total:</b>		<b>113 386</b>		<b>161 334</b>

In accordance with terms of existing agreements, the payable has to be settled in 2011. The loan is not interest bearing.

**16. Loans from credit institutions**

	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>Ls</b>	<b>Ls</b>	<b>EUR</b>	<b>EUR</b>
<i>Long term</i>				
Loan from AS SEB Latvijas Unibanka	58 192	80 485	82 800	114 520
<i>Short term</i>				
Loan from AS SEB Latvijas Unibanka	10 120	12 925	14 399	18 391
<b>Total:</b>	<b>68 312</b>	<b>93 613</b>	<b>97 199</b>	<b>133 200</b>

In accordance with provisions of the agreement, the loan repayment shall be done in monthly principal repayments with final term on March 29, 2012. The interest rate for the loan is 3month EURIBOR + 3.8%.

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**17. Taxes payable**

<b>Ls</b>	(Liabilities)/	Calculated	2010	Paid/(claimed back)	(Liabilities)/
	assets		Tranferred to other taxes		assets
	31.12.2009				31.12.2010
Value added tax (VAT)	(1 363)	(211 231)	-	214 472	1 878
Social contributions	(4 320)	(30 591)	-	29 660	(5 251)
Personnel income tax	(1 491)	(16 077)	-	15 205	(2 363)
Real estate tax		(816)	-	816	
Nature resources tax	(173)		-	173	-
Corporate income tax		-	-		-
Risk duty	(10)	(67)	-	67	(10)
<b>Total</b>	<b>(7 357)</b>	<b>(258 782)</b>	<b>-</b>	<b>260 393</b>	<b>(5 746)</b>
Liabilities	(7 357)				(7 624)
Prepayments	-				1 878

<b>EUR</b>	(Liabilities)/	Calculated	2010	Paid/(claimed back)	(Liabilities)/
	assets		Tranferred to other taxes		assets
	31.12.2009				31.12.2010
Value added tax (VAT)	(1 939)	(300 555)		305 166	2 672
Social contributions	(6 147)	(43 527)		42 204	(7 470)
Personnel income tax	(2 121)	(22 876)		21 634	(3 363)
Real estate tax	-	(1 161)	-	1 161	-
Nature resources tax	(246)		-	246	-
Corporate income tax			-		-
Risk duty	(15)	95	-	95	175
<b>Total</b>	<b>(10 468)</b>	<b>(368 024)</b>	<b>-</b>	<b>370 506</b>	<b>(7 986)</b>
Liabilities	(10 468)				(10 833)
Prepayments	-				2 847

Tax receivables are included in other debtors, see Note 12.

**18. Off balance sheet liabilities**

In accordance with provisions for the loan agreement, the long term loan from credit institution expires on March 2012. In order to secure potential claims, the Company has issued commercial pledge and has pledged its fixed assets, inventories and debtors in favour to the credit institution.

**19. Number of employees**

	<b>2010</b>	<b>2009</b>
Average number of employees for the reporting year	<u><u>45</u></u>	<u><u>51</u></u>

**20. Financial risk management**

The most significant financial instruments for the Company are loans from credit institutions, related entities and cash and cash equivalents. The main purpose of those financial instruments is to ensure operating activities of the Company. The Company is also exposed to other financial investments that are directly related to operating activities of the Company, such as, trade receivables and other receivables, trade payables and other payables.

July 19, 2010

Gatis Štāks  
In name of the Board  
Based on issued authorisation