

**AS "TALSU MEŽRŪPNIECĪBA"**

(REGISTRATION NUMBER 40003113243)

**ANNUAL REPORT OF 9 MONTH 2010**

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## **General Information**

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 - 265,699 shares
Board	<b>Gatis Štāks</b> , chairman of the Board ID code 260576-11140, Rojas district, Rojas parish, Valgalciems “Birzītes” <b>Ruta Krūze</b> , member of the Board ID code 060949-12518 Talsu district., Ģibuļu parish “Nameji” <b>Andis Gribusts</b> , member of the Board ID code 211067-12501 Talsu district. Laucienes parish „Dzelzkalēji”
Supervisory Board	<b>Oskars Dēriņš</b> , Chairman of the Supervisory Board, ID code 090778-12500, Liepāja, Toma Street 12/20-41. <b>Eva Emerberga</b> , member of the Supervisory Board ID code 110280-12526 Liepāja, Toma Street 12/20-41. <b>Alda Kiore</b> , member of the Supervisory Board ID code 290152-12516 Talsu district, Stende, Robežu Street 4, <b>Asmeralda Kļava</b> , member of the Supervisory Board ID code 130454-12512 Talsu district. Abavas parish „Vītiņi” <b>Dace Štāka</b> , member of the Supervisory Board ID code 251078-12529 Rojas district, Rojas parish, Valgalciems “Birzītes”
Reporting period	01.01. 2010 – 30.09. 2010.
Auditor – name and address	Zigrīda Šneidere, sworn auditor, “Revīzija un vadības konsultācijas”, SIA member of the Board Registration number.40003611571 Licence nr. 79 Dārzaugļu street 1-107, Riga, LV-1012 Latvia

## **Management Report**

The main activities of the Company in 9 month of 2010 were logging and production of timber products: peeled and turn poles production in timber processing unit.

The Company's financial situation during 2010 was influenced by significant price level increase and then sudden drop.

During 9 month of 2010, 10,073 m3 pales were produced in the timber processing unit, woodchips of 35,594 m3 were sold.

Total Company's revenues in 9 month of 2010 were Ls 1 086 744.-

The result for 9 month of 2010 is profit amounting to Ls 112 135,- which corresponds to profit per share of Ls 0.2262.

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 of the reporting year will be planned to invest on stream.

### **Board:**

19.10. 2010.

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Gatis Štāks  
In name of the Board  
Chairman of the Board

## Profit and Loss Statement

	Note	2010 Ls	2009 Ls	2010 EUR	2009 EUR
Revenues	2	1 086 744	855 786	1 546 297	1 217 674
Cost of Goods Sold	3	(981 339)	(792 355)	(1 396 320)	(1 127 420)
<b>Gross profit (loss)</b>		<b>105 405</b>	<b>63 431</b>	<b>149 977</b>	<b>90 254</b>
Administration expenses	4	(25 981)	(23 877)	(36 968)	(33 974)
Other operating income		49 056	123	69 800	175
Other operating expenses	5	(4 784)	(10 455)	(6 807)	(14 876)
Financial income	6	1 320	2 974	1 878	4 232
Financial expenses	7	(10 969)	(9 698)	(15 607)	(13 799)
<b>Profit/(loss) before taxes</b>		<b>114 047</b>	<b>22 498</b>	<b>162 273</b>	<b>32 012</b>
Corporate income tax	8			-	-
Other taxes		(1 912)	(1 331)	(2 721)	(1 894)
<b>Profit/(loss) of the reporting year</b>		<b>112 135</b>	<b>21 167</b>	<b>159 552</b>	<b>30 118</b>

Notes on pages 10 to 18 are integral part of the financial statements

**Board:**

19.10.2010.

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Gatis Štāks  
 In name of the Board  
 Chairman of the Board

**AS „TALSU MEŽRŪPNIECĪBA”**  
**ANNUAL REPORT OF 9 MONTH 2010 (UNAUDITED)**

**Balance Sheet**

		<b>ASSETS</b>			
		<b>30.09.2010.</b>	<b>30.09.2009.</b>	<b>30.09.2010.</b>	<b>30.09.2009.</b>
<b>Long term investments</b>	Notes	<b>Ls</b>	<b>Ls</b>	<b>EUR</b>	<b>EUR</b>
<b>Fixed assets</b>					
Land, buildings and constructions		61 869	37 705	88 032	53 649
Machinery and equipment		119 067	146 562	169 417	208 539
Other fixed assets		9 939	13 191	14 142	18 769
Prepayment for fixed assets		19 860		28 258	-
TOTAL	9	<b>210 735</b>	<b>197 458</b>	<b>299 849</b>	<b>280 957</b>
<b>Biological assets</b>					
Forest	10	-	18 975	-	26 999
TOTAL		-	<b>18 975</b>	-	<b>26 999</b>
<b>Total long term investments</b>		-	<b>216 433</b>	-	<b>307 956</b>
<b>Current assets</b>					
<b>Inventories</b>					
Materials		8 299	11 019	11 808	15 679
Unfinished goods		47 052		66 949	-
Finished goods and goods for sale		37 352	109 561	53 147	155 891
Advances for goods		18 975	7 800	26 999	11 098
TOTAL		<b>111 678</b>	<b>128 380</b>	<b>158 903</b>	<b>182 668</b>
<b>Receivables</b>					
Trade receivables, net	11	117 323	136 191	166 936	193 782
Other debtors	12	10 352	719	14 730	1 023
Prepaid expenses		2 621	4 366	3 729	6 212
TOTAL		<b>130 296</b>	<b>141 276</b>	<b>185 395</b>	<b>201 018</b>
<b>Cash and cash equivalents</b>		110 914	53 399	157 816	75 980
<b>TOTAL CURRENT ASSETS</b>		<b>352 888</b>	<b>323 055</b>	<b>502 114</b>	<b>459 666</b>
<b>TOTAL ASSETS</b>		<b>563 623</b>	<b>539 488</b>	<b>801 963</b>	<b>767 622</b>

Notes on pages 10 to 18 are integral part of the financial statements

**Board:**

19.10. 2010.

\_\_\_\_\_  
Gatis Štāks  
In name of the Board  
Chairman of the Board

**AS „TALSU MEŽRŪPNIECĪBA”**  
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**EQUITY AND LIABILITIES**

<b>EQUITY AND LIABILITIES</b>	Notes	30.09.2010. Ls	30.09.2009. Ls	30.09.2010. EUR	30.09.2009. EUR
Share capital	13	495 699	495 699	705 316	705 316
Undistributed profit				-	-
Loss from previous periods		(216 160)	(243 324)	(307 568)	(346 219)
Current year (loss)/ profit		112 135	21 167	159 554	30 118
<b>TOTAL EQUITY</b>		<b>391 674</b>	<b>273 542</b>	<b>557 302</b>	<b>389 215</b>
<b>PROVISIONS</b>					
Provisions for taxes		-	-	-	-
Other provisions	14	12 773	15 951	18 174	22 696
<b>TOTAL PROVISIONS</b>		<b>12 773</b>	<b>15 951</b>	<b>18 174</b>	<b>22 696</b>
<b>LIABILITIES</b>					
<b>Long terms liabilities</b>					
Payables to related parties	15	-	113 386	-	161 334
Deffered taxation		10 524	4 210		
Loans from credit institutions	16	58 192	80 688	82 800	114 809
TOTAL		<b>68 716</b>	<b>198 284</b>	<b>97 774</b>	<b>282 133</b>
<b>Short term liabilities</b>					
Loans from credit institutions	16	2 530	5 335	3 600	7 591
Trade creditors		68 651	30 475	97 682	43 362
Taxes payable	17	7 858	6 335	11 181	9 014
Other liabilities		11 421	9 566	16 251	13 611
TOTAL		<b>90 460</b>	<b>51 711</b>	<b>128 713</b>	<b>73 578</b>
<b>TOTAL LIABILITIES</b>		<b>159 176</b>	<b>249 995</b>	<b>226 487</b>	<b>355 711</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>563 623</b>	<b>539 488</b>	<b>801 963</b>	<b>767 622</b>

Notes on pages 10 to 18 are integral part of the financial statements

**Board:**

19.10. 2010.

\_\_\_\_\_  
Gatis Štāks  
In name of the Board  
Chairman of the Board

**AS „TALSU MEŽRŪPNIECĪBA”**  
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### Equity Statement

<b>Ls</b>	Share capital	Prior period losses	Current year profit/ (loss)	<b>Total</b>
<b>January 1, 2009</b>	495 699	(131 753)	(111 571)	252 375
Transferred to prior period losses	-	(111 571)	111 571	-
Current year loss	-	-	21 167	21 167
<b>30.09.2009</b>	<b>495 699</b>	<b>(243 324)</b>	<b>21 167</b>	<b>273 542</b>
Transferred to prior period losses	-	(216 160)	222 157	5 997
Current year loss	-	-	112 135	112 135
<b>30.09. 2010</b>	<b>495 699</b>	<b>(459 484)</b>	<b>355 459</b>	<b>391 674</b>

  

<b>EUR</b>	Share capital	Prior period losses	Current year profit/ (loss)	<b>Total</b>
<b>January 1, 2009</b>	705 316	(187 468)	(158 751)	359 097
Transferred to prior period losses	-	(158 751)	158 751	-
Current year loss	-	-	30 118	30 118
<b>30,09, 2009</b>	<b>705 316</b>	<b>(346 219)</b>	<b>30 118</b>	<b>389 215</b>
Transferred to prior period losses	-	(307 568)	316 101	8 533
Current year loss	-	-	159 554	159 554
<b>30,09, 2010</b>	<b>705 316</b>	<b>(653 787)</b>	<b>505 773</b>	<b>557 302</b>

Notes on pages 10 to 18 are integral part of the financial statements



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

	2010	2009	2010	2009
	Ls	Ls	EUR	EUR
<b>Operating cash flow</b>				
Profit/(loss) before taxes	114 047	21 167	162 274	30 118
Adjustments:			-	-
Depreciation	28 822	32 026	41 010	45 569
Interest			-	-
Increase of provisions		-	-	-
Asset writte off	(4 784)	-	(6 807)	-
(Profit)/loss from sale of fixed assets	(26 653)	-	(37 924)	-
Result of revaluation of biological assets		-	-	-
(Profit)/loss from currency fluctuations			-	-
<i>Operating cash flow before changes in current assets</i>	<i>111 432</i>	<i>53 193</i>	<i>158 553</i>	<i>75 687</i>
Decrease/(increase) of inventories	60 279	83 262	85 769	118 471
Decrease/(increase) of receivables	(27 892)	(14 865)	(39 687)	(21 151)
Increase/(decrease) of current liabilities	(92 419)	(66 531)	(131 500)	(94 665)
<i>Operating cash flow</i>	<i>51 400</i>	<i>55 059</i>	<i>73 136</i>	<i>78 342</i>
Interest paid	(10 969)	-	(15 607)	-
Corporate income tax paid			-	-
Real estate tax paid	(1 912)		(2 721)	-
<b>Net operating cash flow</b>	<b>38 519</b>	<b>55 059</b>	<b>54 808</b>	<b>78 342</b>
<b>Cash flow from investing activities</b>			-	-
Acquisition of long term investments	(58 674)	(3 395)	(83 486)	(4 831)
Proceeds from sale of fixed assets	75 709	-	107 724	-
<b>Net cash flow from investing activities</b>	<b>17 035</b>	<b>(3 395)</b>	<b>24 239</b>	<b>(4 831)</b>
<b>Cash from from financing activities</b>			-	-
Loans received/(repaid), net	(22 771)		(32 400)	-
<b>Net financing cash flow</b>	<b>(22 771)</b>	<b>-</b>	<b>(32 400)</b>	<b>-</b>
<b>Increase/(decrease) in cash and cash equivqlents</b>	<b>32 783</b>	<b>51 664</b>	<b>46 646</b>	<b>73 511</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>110 914</b>	<b>53 399</b>	<b>157 816</b>	<b>75 980</b>

Notes on pages 10 to 18 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. 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.

The annual report is prepared based on business continuation principle.

#### **Foreign currency translation**

The accounting records are prepared in LVL. All transaction in foreign currencies are translated to LVL 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>30.09.2010.</b>	<b>30.09.2009.</b>
	<b>LVL</b>	<b>LVL</b>
1 GDP	0.819	0.765
1 USD	0.517	0,486
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.

**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 cost 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.

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**2. Revenues**

	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<i>Ls</i>	<i>Ls</i>	<i>EUR</i>	<i>EUR</i>
Timber product related revenues	930325	726930	1323433	1034328
Other revenues	156419	128856	222564	183346
<b>Total:</b>	<b>108674</b>	<b>855786</b>	<b>1546297</b>	<b>1217674</b>

**Revenues according to geographical markets:**

	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<i>Ls</i>	<i>Ls</i>	<i>EUR</i>	<i>EUR</i>
Latvia	940005	691677	1337507	984167
Lithuania				
United Kingdom	146739	164109	208790	233507
<b>Total:</b>	<b>1086744</b>	<b>855786</b>	<b>1546297</b>	<b>1217674</b>

**3. Cost of goods sold**

	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<i>Ls</i>	<i>Ls</i>	<i>EUR</i>	<i>EUR</i>
Cost of materials	605363	490980	861354	698602
Cost of external services	95015	60725	135194	86404
Depreciation	28822	32026	41009	45569
Salaries	118709	116852	168908	166265
Social contributions	34165	33006	48612	46963
Other costs of goods sold	99265	58766	141243	83617
<b>Total:</b>	<b>981339</b>	<b>792355</b>	<b>1396320</b>	<b>1127420</b>

**4. Administration expenses**

	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<i>Ls</i>	<i>Ls</i>	<i>EUR</i>	<i>EUR</i>
Personnel costs	23553	19627	33514	27927
Other administration expenses	2428	4250	3454	6047
<b>Total:</b>	<b>25981</b>	<b>23877</b>	<b>36968</b>	<b>33974</b>

The Board does not receive remuneration.

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**5. Other operating expenses**

	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<i>Ls</i>	<i>Ls</i>	<i>EUR</i>	<i>EUR</i>
Provisions for doubtful accounts				
Revaluation of biological assets				
Other asset write offs				
Stock exchange related expenses	4765	2515	6780	3578
Other expenses	19	7940	27	11298
<b>Total:</b>	<b>4784</b>	<b>10455</b>	<b>6807</b>	<b>17346</b>

**6. Financial income**

	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<i>Ls</i>	<i>Ls</i>	<i>EUR</i>	<i>EUR</i>
Income from currency fluctuations	1243	2963	1769	4216
Other income	77	11	109	16
<b>Total</b>	<b>1320</b>	<b>2974</b>	<b>1878</b>	<b>4232</b>

**7. Financial expenses**

	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<i>Ls</i>	<i>Ls</i>	<i>EUR</i>	<i>EUR</i>
Interest expenses	2490	6936	3543	9869
Loss from currency fluctuations	8479	2762	12064	3930
<b>Total</b>	<b>10969</b>	<b>9698</b>	<b>15607</b>	<b>13799</b>

**8. Corporate income tax**

	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<i>Ls</i>	<i>Ls</i>	<i>EUR</i>	<i>EUR</i>
Deferred corporate income tax		(6314)		(8984)
<b>Total:</b>		<b>(6314)</b>		<b>(8984)</b>

**AS „TALSU MEŽRŪPNIECĪBA”**  
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**9. Fixed assets**

<b>Ls</b>	Land, buildings and constructions	Machinery and equipment	Other fixed assets	Advance payment for assets	<b>TOTAL</b>
Historical cost 31.12.2009	93 570	848 191	39 279	2 733	983 773
2010 acquisitions	27 131	30 177	1 366	19 860	78 534
Writte-offs		(200 899)	(8 069)	(2 733)	(211 701)
Historical costs 30.09.2010	120 701	677 469	32 576	19 860	850 606
Accumulated depreciation 31.12.2009	56 597	709 613	27 154	-	793 364
2010 Depreciation	2 235	24 457	2 130	-	28 822
Depreciation of assets written o	-	(175 670)	(6 645)	-	(182 315)
Accumulated depreciation 30.09.2010	58 832	558 400	22 639	-	639 871
<b>Net book value 31.12.2009</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 30.09.2010</b>	<b>61 869</b>	<b>119 069</b>	<b>9 937</b>	<b>19 860</b>	<b>210 735</b>

<b>EUR</b>	Land, buildings and constructions	Machinery and equipment	Other fixed assets	Pepayment for assets	<b>TOTAL</b>
Historical cost 31.12.2009	133 138	1 206 866	55 890	3 889	1 399 783
2010 acquisitions	38 604	42 938	1 943	28 258	111 743
Writte-offs	-	(285 854)	(11 481)	(3 889)	(301 224)
Historical costs 30.09.2009	171 742	963 950	46 352	28 258	1 210 302
Accumulated depreciation 31.12.2009	80 530	1 009 688	38 637	-	1 128 855
2010 Depreciation	3 180	34 799	3 030	-	41 009
Depreciation of assets written c	-	(249 954)	(9 457)	-	(259 411)
Accumulated depreciation 30.09.2010	83 710	794 533	32 210	-	910 453
<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 30.09.2010</b>	<b>88 032</b>	<b>169 417</b>	<b>14 142</b>	<b>28 258</b>	<b>299 849</b>

Cadastral value of assets of the Company

	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>Ls</b>	<b>Ls</b>	<b>EUR</b>	<b>EUR</b>
Land		11700		16647
Buildings and constructions		170231		242219
<b>Total</b>	<b>0</b>	<b>181931</b>	<b>0</b>	<b>258866</b>

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

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**10. Biological assets**

	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>Ls</b>	<b>Ls</b>	<b>EUR</b>	<b>EUR</b>
Value at the beginning of the year		18876		26858
Acquisitions during the year		99		141
Revaluation to fair value				
<b>Total:</b>	<b>-</b>	<b>18975</b>	<b>-</b>	<b>26999</b>

**11. Trade receivables, net**

	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>Ls</b>	<b>Ls</b>	<b>EUR</b>	<b>EUR</b>
Gross trade receivables	117323	136191	166936	193782
Provisions for doubtful accounts				
<b>Total:</b>	<b>117323</b>	<b>136191</b>	<b>166936</b>	<b>193782</b>

**12. Other debtors**

	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>Ls</b>	<b>Ls</b>	<b>EUR</b>	<b>EUR</b>
VAT receivable	370	528	527	752
Advance payments of CIT				
Other debtors	9982	191	14203	271
<b>Total</b>	<b>10352</b>	<b>719</b>	<b>14730</b>	<b>1023</b>

**13. Share capital**

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

	<b>Akciju skaits</b>	<b>Akciju vērtība (Ls)</b>	<b>Kopējā vērtība (Ls)</b>	<b>Akciju vērtība (EUR)</b>	<b>Kopējā vērtība (EUR)</b>
Close issue shares	265699	1	265699	1	378058
Public placement	227700	1	227700	1	323985
Boards' shares (without voting rights)	2 300	1	2 300	1	3273
<b>Total</b>	<b>495699</b>		<b>495699</b>		<b>705316</b>

**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	13973	12773	19882	18174
Other provisions		1200		1708
<b>Total</b>	<b>13973</b>	<b>13973</b>	<b>19882</b>	<b>19882</b>

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**15. Payables to related c 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>-</b>	<b>113 386</b>	<b>-</b>	<b>161 334</b>

In accordance with terms of existing agreements, the payable has to be settled in 2010. 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	58192	80688	82800	114809
<i>Short term</i>				
Credit line from AS SEB Latvijas Unibanka	2530	5335	3600	7591
<b>Total:</b>	<b>60722</b>	<b>86023</b>	<b>86400</b>	<b>122400</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 3 month EURIBOR + 3.8%.

**17. Taxes payable**

<b>Ls</b>	(Payable)/ receivable 31.12.2009	Calculated	2010 Transfer from other taxes	Tax paid	(Payable)/ receivable 30.09.2010
Value added tax	(1 363)	(336 346)	-	337 901	192
Social security contributions	(4 320)	(46 956)	-	45 683	(5 593)
Personnel income tax	(1 491)	(24 938)	-	23 982	(2 447)
Real estate tax	-	(1 912)	-	1 912	-
Natural resource tax	(173)	-	-	173	-
Corporate income tax	-	-	-	-	-
Risk duties	(10)	(100)	-	100	(10)
<b>Total</b>	<b>(7 357)</b>	<b>(410 252)</b>	<b>-</b>	<b>409 751</b>	<b>(7 858)</b>
Payable	(7 357)				(8 050)
Receivable	-				192



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**17. Taxes payable (continued)**

<b>EUR</b>	(Payable)/ receivable 31.12.2009	Calculated	2010 Transfer from other taxes	Tax paid	(Payable)/ receivable 30.09.2010
Value added tax	(1 939)	(478 577)	-	480 792	276
Social security contributions	(6 147)	(66 812)	-	65 001	(7 958)
Personnel income tax	(2 121)	(35 483)	-	34 123	(3 481)
Real estate tax	-	(2 720)	-	2 720	-
Natural resource tax	(246)	-	-	246	-
Corporate income tax	-	-	-	-	-
Risk duties	(15)	(142)	-	142	(15)
<b>Total</b>	<b>(10 468)</b>	<b>(583 734)</b>	<b>-</b>	<b>583 024</b>	<b>(11 178)</b>
	Payable	(10 468)			(11 454)
	Receivable	-			276

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

**18. Off balance sheet liabilities**

The Company has signed credit till 2012, March.

**19. Number of employees**

	<b>2010</b>	<b>2009</b>
Average number of employees for the reporting year	<u><u>43</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.

*Financial risks*

The main financial risks that are related to financial instruments of the Company are currency risk, interest rate risk, liquidity risk, credit risk and debt concentration risk.

**Board:**

October 19, 2010

\_\_\_\_\_  
Gatis Štāks  
In name of the Board  
Chairman of the Board