

**JOINT-STOCK COMPANY „SALDUS MEŽRŪPNIECĪBA”**

(SINGLE REGISTRATION NUMBER 40003020121)

**ANNUAL REPORT FOR THE PERIOD OF 9 MONTHS OF THE YEAR 2011**

PREPARED IN ACCORDANCE WITH

THE LAW OF THE REPUBLIC OF LATVIA ON ANNUAL REPORTS

**Saldus, 2011**

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## Information about the Company

Name of the Company	<b>Saldus Timber Wood Industry (Saldus mežrūpniecība)</b>
Legal status of the Company	Joint Stock Company
Registration number, place, and date	40003020124 August 26, 1991, Rīga
Address	Kuldīgas iela 86C, Saldus, Saldus rajons, LV 3801
The main areas of activities of the Company	Forestry, commercial timber preparation and related services; production of board lumber, etc.
Members of the Board: name, surname, position	Janis Bertrāns ( <i>Jānis Bertrāns</i> ) – Chancellor of the Board Janis Merkalis ( <i>Jānis Mierkalis</i> ) – member of the Board Gundars Maurs ( <i>Gundars Maurs</i> ) – member of the Board Gatis Zommers ( <i>Gatis Zommers</i> ) – member of the Board
Members of the Council: name, surname, position	Uldis Melrkalis ( <i>Uldis Mierkalis</i> ) – Chairman of the Council Lolita Burkovska ( <i>Lolita Burkovska</i> ) – Deputy Chairman of the Board Maris Elleris ( <i>Māria Elleris</i> ) – member of the Council Janis Leimanis ( <i>Jānis Leimanis</i> ) – member of the Council Ainis Dābols – member of the Council (till 23.09.2011)
Subsidiary enterprise	
1. Name of the company	<i>Pukuli Sports Premises (Pakuļu sporta bāze) (100%)</i>
Legal status of the company	Limited Liability Company
NUMBER AND DATE OF REGISTRATION IN THE COMMERCIAL REGISTER	48503009010 November 21, 2002
Address	“Mežvidi”, Novadnieku pag. Saldus rajons LV 3801
The main areas of activities of the company	Hunting and related services. Organisation of training and competitive shooting using hunting weapons.
Owner of the company	Saldus Timber Wood Industry(Saldus mežrūpniecība), JSC – 100%
Reporting year	January 1 – September 30, 2011
2. Name of the company	Woodworking Centre No.3 ( <i>Деревообрабатывающий комбинат № 3</i> ) (100%)
Legal status of the company	Limited Liability Company (ООО - Общество с ограниченной ответственностью)
Registration number, date, place	1066027046337 October 9, 2006
Address	Russia: 180005, Россия, г. Псков, Зональное шоссе, д. 44-А
The main areas of activities of the company	Woodworking, production of board lumber
Owner of the company	Saldus Timber Wood Industry(Saldus mežrūpniecība), JSC – 100%
Reporting year	January 1 – September 30, 2011
3. Name of the company	Saldus ( <i>Салдус</i> ) (100%)
Legal status of the company	Limited Liability Company (ООО - Общество с ограниченной ответственностью)
Registration number, date, place	1056000426371 21. December 2005
Address	Russia: 180005, Россия, г. Псков, Зональное шоссе, д. 44-А
The main areas of activities of the company	Purchase of lumber
Owner of the company	Saldus Timber Wood Industry (Saldus mežrūpniecība), JSC – 100%
Reporting year	January 1 – September 30, 2011

## Management announcement

### *To Report of economic activity for the of 9 months of year 2011*

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

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

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

Profit of A/s „Saldus mežrūpniecība” for the of 9 months of year 2011 are 176 298 LVL at the net turnover of 19 222 349 LVL, which means profit on one share issued of 0.46 LVL.

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

#### **Forecasts for financial statments and operational plans of 2011**

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

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

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

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

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

November 30. 2011

Valde:

Jānis Bertrāns  
valdes priekšsēdētājs

Jānis Mierkalns  
valdes loceklis

Gundars Maurs  
valdes loceklis

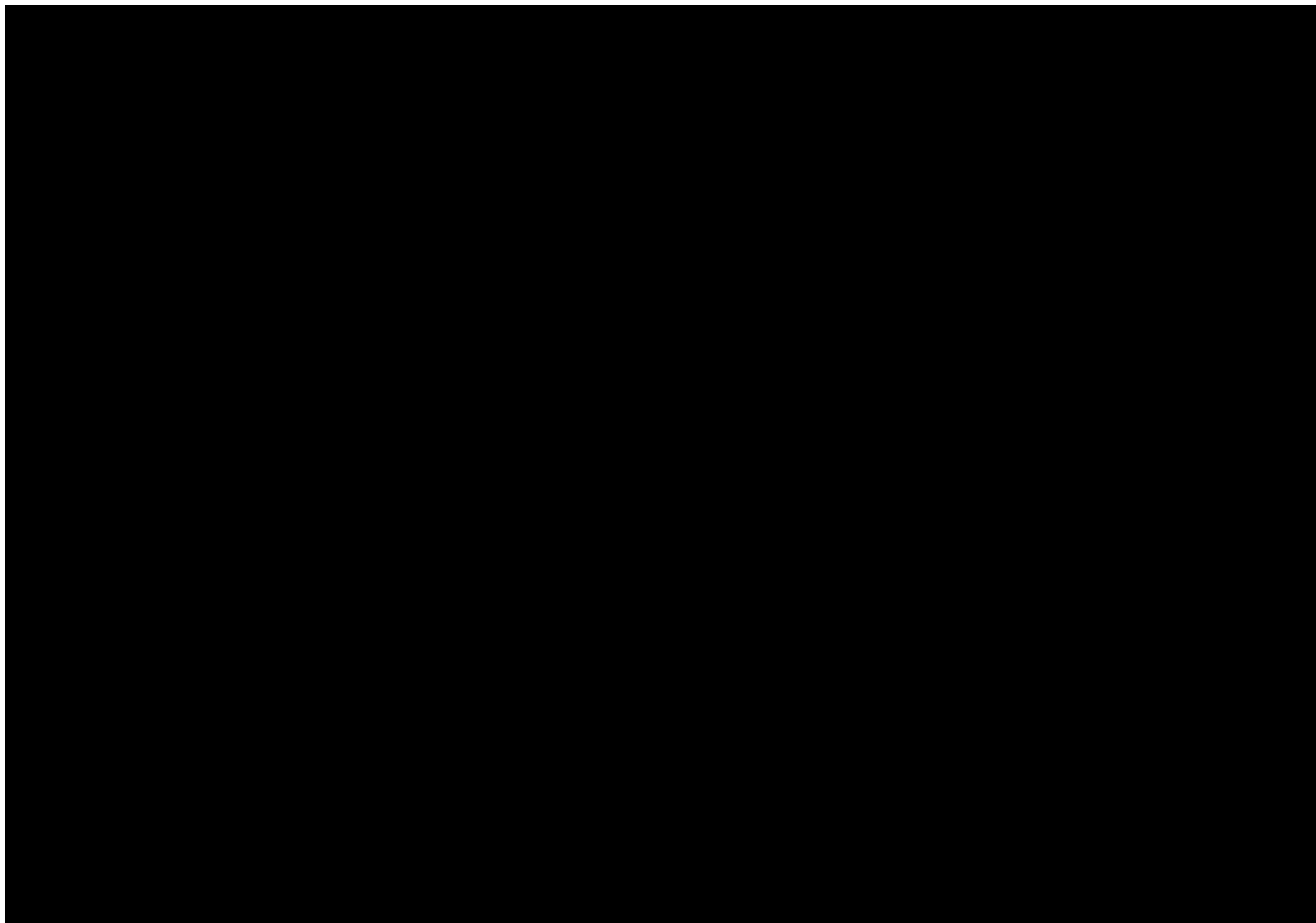
Gatis Zommers  
valdes loceklis

## **Statement of Management Responsibility**

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

The Management confirms that, in preparing this report for the period ending on 30 September 2011, proper accounting methods were used, their application was consistent, reasonable and prudent decisions were taken. The Management confirms that the relevant Latvian Accounting Standards have been observed and the financial statements have been prepared in accordance with the principle of continuation. The Management is responsible for keeping proper accounting records, the company's resources conservation as well as fraud prevention and prevention of other irregularities.

## Profit or loss calculation



The annex is an integral part of this financial statement

Valde:

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Jānis Bertrāns  
valdes priekšsēdētājs

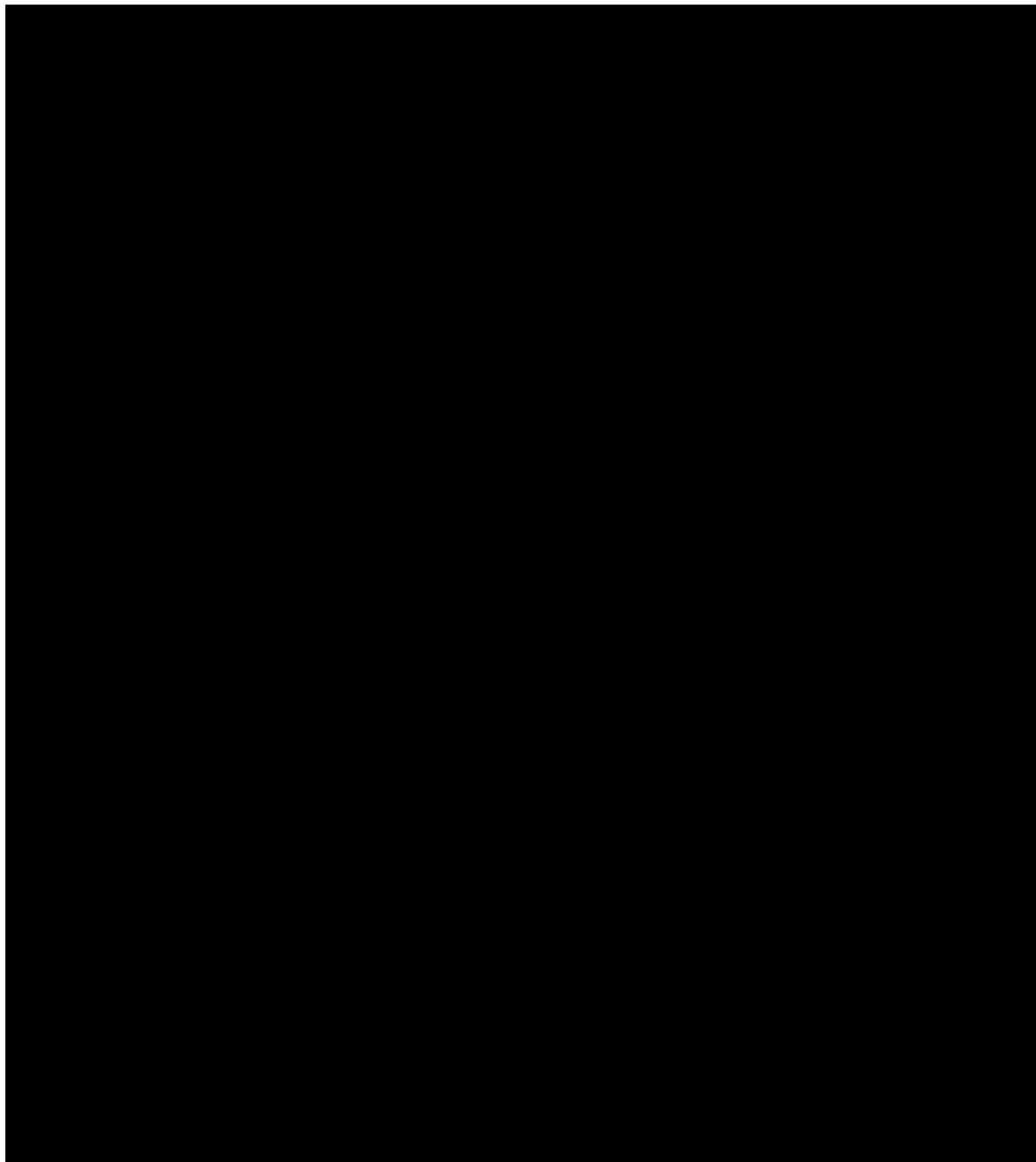
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Gundars Maurs  
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Gatis Zommers  
valdes loceklis

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## Balance sheet



The annex is an integral part of this financial statement.

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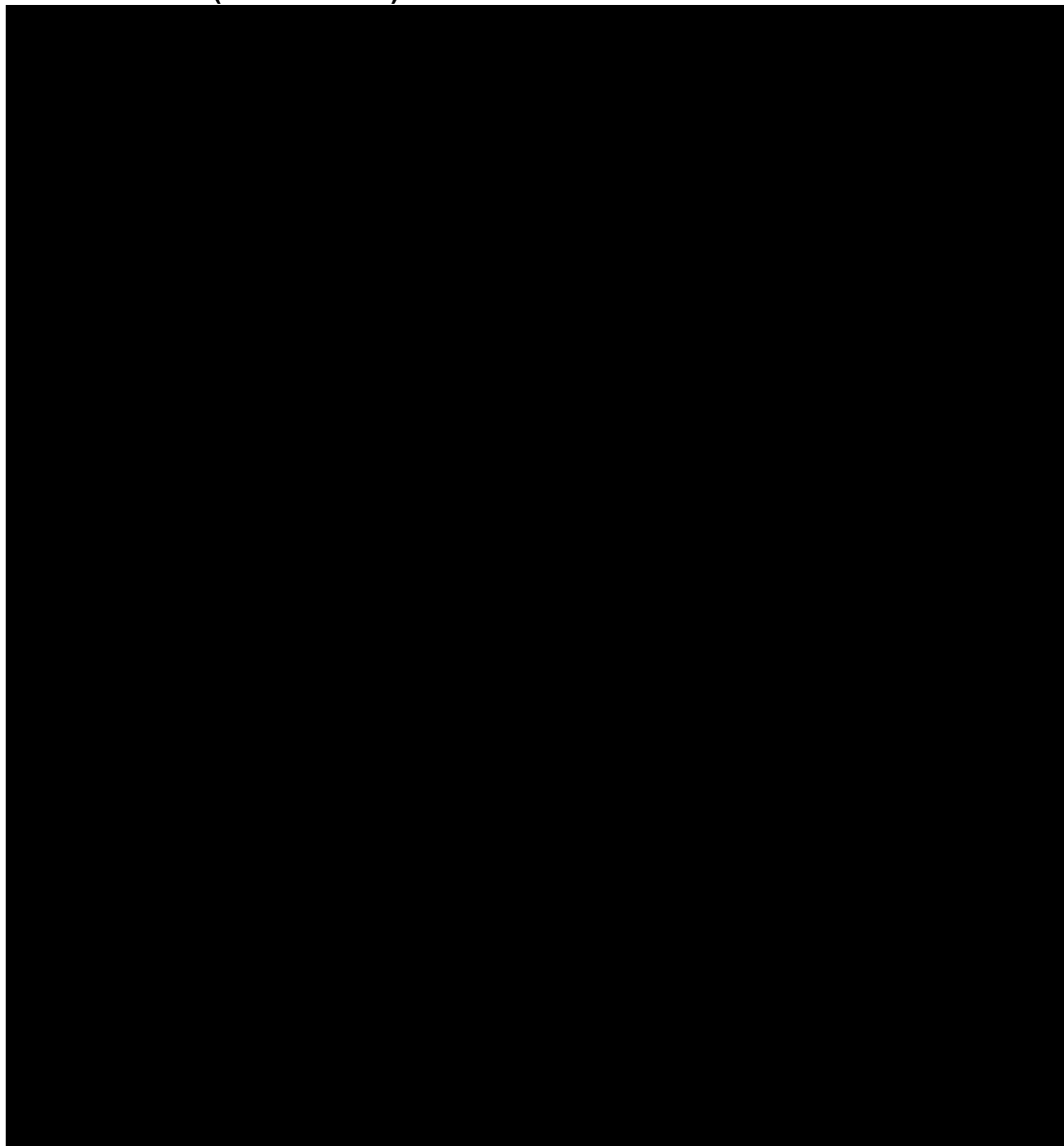
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## Balance sheet (continuation)



The annex is an integral part of this financial statement

Valde:

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Gundars Maurs  
valdes loceklis

Gatis Zommers  
valdes loceklis

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## Cash flow statement

	30.09.2011	31.12.2010	30.09.2011	31.12.2010
	LVL	LVL	EUR	EUR
<b>I. Cash flow from basic activity</b>				
<b>Profit (+) or loss (-) before extraordinary items and taxes:</b>	<b>187 010</b>	<b>-165 017</b>	<b>266 091</b>	<b>-234 798</b>
wear and tear of fixed assets and intangible investments (+)	447414	558 871	636 613	795 202
elimination of fixed assets and intangible investments	-111712	9 103	-158 952	12 952
revaluation of long-term investments		109 184	0	155 355
revaluation of biological assets	-84938	-82 838	-120 856	-117 868
profit (-) or loss (+) from fluctuations of exchange rate	-52	1 348	-74	1 918
income from the acknowledgement of financing	-28980	-16 241	-41 235	-23 109
interest payments and the like expenditures	90857	123 556	129 278	175 804
<b>Profit or loss before the corrections of the impact of balance changes of current assets and short-term liabilities</b>	<b>499 599</b>	<b>537 966</b>	<b>710 865</b>	<b>765 457</b>
increase (+) or decrease (-) of debtors debt	367246	308 355	522 544	438 750
increase (+) or decrease (-) of the reserves of accruals	1443208	-502 450	2 053 500	-714 922
increase (+) or decrease (-) of the remainder of debts payable to suppliers, contractors and other creditors	718600	2 169 437	1 022 476	3 086 831
<b>Gross cash flow from basic activity</b>	<b>3 028 653</b>	<b>2 513 308</b>	<b>4 309 385</b>	<b>3 576 115</b>
Expenditures to pay interest payments	-90857	-123 556	-129 278	-175 804
Expenditures to pay company's income tax and immovable property tax	-15774	-98 302	-22 444	-139 871
<b>Net cash flow from basic activity</b>	<b>2 922 022</b>	<b>2 291 450</b>	<b>4 157 663</b>	<b>3 260 440</b>
<b>II. Cash flow from investments</b>				
Income from selling fixed assets and intangible investments	15112	3 195	21 502	4 546
Acquisition of fixed assets and intangible investments	-2056810	-542 380	-2 926 577	-771 737
Expenditures for advance payments for fixed assets and unfinished	-1601388	-1 391 602	-2 278 570	-1 980 071
Loans repayments	-54138	-105 787	-77 031	-150 521
Interest received	0	14 240	0	20 262
<b>Net cash flow from investments</b>	<b>-3 697 224</b>	<b>-2 022 334</b>	<b>-5 260 676</b>	<b>-2 877 522</b>
<b>III. Cash flow from financing activities</b>				
Loans received	3016490		4 292 079	0
EU financing received		490 746	0	698 269
Expenditures for paying back loans	-2210597	-588 160	-3 145 396	-836 876
Expenditures for redemption of asset that was hired	-28482	-180 764	-40 526	-257 204
<b>Net cash flow from financing activities</b>	<b>777 411</b>	<b>-278 178</b>	<b>1 106 156</b>	<b>-395 812</b>
<b>IV. The result of the exchange rate fluctuations</b>	<b>52</b>		<b>74</b>	<b>0</b>
<b>V. Net cash flow of the year of account increase (+), decrease (-)</b>	<b>2 261</b>	<b>-9 062</b>	<b>3 217</b>	<b>-12 894</b>
<b>VI. Money and its equivalents balance at the beginning of the year of account</b>	<b>8 536</b>	<b>17 598</b>	<b>12 146</b>	<b>25 040</b>
<b>VII. Money and its equivalents balance at the end of the year of account</b>	<b>10797</b>	<b>8 536</b>	<b>15 363</b>	<b>12 146</b>

The annex is an integral part of this financial statement

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## Statement on the changes in own capital

	Share capital	Share premium	Reserves from revaluation of long-term investments	Other reserves	Previous years retained earnings	Retained profit/loss of the year of account	Toatal own capital
	LVL	LVL	LVL	LVL		LVL	LVL
<b>December 31, 2009</b>	<b>387 136</b>	<b>1 987</b>	<b>802 492</b>	<b>2 623 085</b>	<b>(28 125)</b>	<b>90 074</b>	<b>3 876 649</b>
Distribution of profit of the year 2009	-	-	-	-	90 074	(90 074)	-
Profit of the year of account	-	-	-	-	-	(162 745)	(162 745)
<b>December 31, 2010</b>	<b>387 136</b>	<b>1 987</b>	<b>802 492</b>	<b>2 623 085</b>	<b>61 949</b>	<b>(162 745)</b>	<b>3 713 904</b>
Distribution of the year 2010 profit	-	-	-	-	(162 745)	162 745	-
Profit of the year of account	-	-	-	-	-	176 298	176 298
<b>September 30,2011</b>	<b>387 136</b>	<b>1 987</b>	<b>802 492</b>	<b>2 623 085</b>	<b>(100 796)</b>	<b>176 298</b>	<b>3 890 202</b>
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
<b>December 31, 2009</b>	<b>550 845</b>	<b>2 827</b>	<b>1 141 843</b>	<b>3 732 314</b>	<b>(40 018)</b>	<b>128 164</b>	<b>5 515 975</b>
Distribution of the year 2009 profit	-	-	-	-	128 164	(128 164)	-
Profit of the year of account	-	-	-	-	-	(231 565)	(231 565)
<b>December 31, 2010</b>	<b>550 845</b>	<b>2 827</b>	<b>1 141 843</b>	<b>3 732 314</b>	<b>88 145</b>	<b>(231 565)</b>	<b>5 284 409</b>
Distribution of the year 2010 profit	-	-	-	-	(231 565)	231 565	-
Profit of the year of account	-	-	-	-	-	250 849	250 849
<b>September 30,2011</b>	<b>550 845</b>	<b>2 827</b>	<b>1 141 843</b>	<b>3 732 314</b>	<b>(143 420)</b>	<b>250 849</b>	<b>5 535 259</b>

The annex is an integral part of this financial statement

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## Annex to the financial statement

### 1. Corporative information

The joint stock company „Saldus mežrūpniecība” (hereinafter - the Company) was registered with the Republic of Latvia Enterprise Register on 26 August 1991 and with the Republic of Latvia Commercial Register on 8 May 2004. Company main economic activity will be logging and production of sawn timber.

### 2. Important accounting principles

#### ***Basis of preparation***

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

The financial statements of JSC „Saldus mežrūpniecība have been prepared in accordance with the Law of the Republic of Latvia on Annual Reports and Latvian Accounting Standards issued by the Accounting Council of the Republic of Latvia Ministry of Finance applicable in the reporting year.

The financial statements are prepared on a historical cost basis. The monetary unit used in the financial statements is lat (LVL), the monetary unit of the Republic of Latvia. The financial statements cover the period 1 January 2011 through 30 September 2011.

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

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

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

At the end of each year the Holding audits if there are no signs of the decrease of the value of assets. If there are such signs or if the Holding has to carry out the annual audit of the decrease of the value of assets, the Holding 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 of to its recoverable amount. Losses from the decrease of value are shown in profit or loss calculation as expenditures from other economic activity

#### ***Foreign currency translation***

The functional and presentation currency of the Company is Latvian lats (LVL). Transactions in foreign currency are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Latvian lats applying the official exchange rate established by the Bank of Latvia at the last day of the reporting year. The differences arising on settlements of transactions or on reporting foreign currency transactions at rates different from those at which these transactions have originally been recorded are netted in the income statement accounts.

Currency exchange rates established by the Bank of Latvia:.

	30.09.2011	31.12.2010
	LVL	LVL
1 RUB	0.0163	0.01760
1 EUR	0,702804	0,702804

#### ***Intangible investment***

Intangible assets include software licences used in the company, intangible value and other intangible assets concerned with operations of the Group Holding company or Group subsidiary.

Intangible assests are accounted for their cost value which is depreciated for the useful life of assets on a sraight line basis. Should any events or conditions indicate that accounting value of intangible assets be non-recoverable, the value of respective intangible assets is revalued in order to establish decrease of accounting value of intangible assets. Losses resulting from decrease of value are accounted when the accounting value of intangible assets increases the recoverable amount.

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Software licences used in the company are accounted for their cost value less depreciation accrued.

Depreciation is calculated for the whole period of useful life by a straight line method. Costs associated with maintenance of software are accounted as costs in the income statement. See Paragraph 12 of the Annex.

## 2. Summary of significant accounting policies (continuation)

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

Depreciation is calculated starting from the next month following launch of assets for use or operation. Depreciation is calculated separately for each part of property, plant and equipment the costs of which are significant against total costs of this asset. When property, plant and equipment is sold or depreciated, the initial cost and depreciation accrued is excluded from accounting and loss or profit from sale of assets is reflected in the income statement.

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

Buildings	-20 years (starting from 01.01.2008.)
Equipment and machinery	- 10 years
Forestry equipment	- 5 years ( starting from 01.01.2007.)
Timber processing lines	- 5 years ( starting from 01.01.2007.)
Other property, plant and equipment	- 5 years
Data processing and storage equipment, software	- 5 years

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

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

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

Movement of company property, plant and equipment is shown in the Paragraph 14 of the Annex.

### **Biological assets**

In 2008 the company management decided to change accountancy politics for forest stands, complying with IAS 41 Agriculture. According to the new accountancy politic the forest stands are evaluated as biologic assets. The evaluation is based on the actual data from the State Forest Service (SFS). The forest stands are initially accounted at their purchase value, but after the first development the remaining part of the forest stand is accounted at its fair value. The fair value is determined by calculating the net present value of the cash flows from the biologic assets at 2011 applying discount rate of 6%. The felling area's cubic meter average purchasing price is set to be the average felling area's cubic meter price during 2011 and that is LVL 18.94per m<sup>3</sup>. The difference between the accounting value and the value established in reevaluation is recognized as income or outcome during the accounting period, depending whether the value has increased or decreased during the reevaluation. It appears in the profit and loss account as net turnaround or production costs of sales. Biologic assets which development are not possible in one year time are shown in the balance sheet as long-term investments (held with intention for sale) or as non-current assets.

### **Investments in subsidiaries**

Investments in subsidiaries (i.e. where the Company holds more than 50% interest of the share capital or otherwise controls the company) are stated in accordance with the cost method. Following initial recognition, investments in subsidiaries are carried at cost less any accumulated impairment losses. The carrying values of investments in subsidiaries are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The Company recognises income from the

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investment only to the extent that the Company receives distributions from accumulated profits of the investee arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognised as a reduction of the cost of the investment

## 2. Summary of significant accounting policies (cont'd)

### **Reserves**

#### *Unfinished products*

Reserves are accounted in their lowest cost value and net selling value. Cost is calculated by applying the FIFO method- first in, first out. 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, wear and tear 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 company regularly estimates if the value of reserves has not decreased due to aging or damage. Corresponding loss is included in the profit or loss calculation as production costs of sold products. When damaged products are physically destroyed, the value of reserves and the value of appropriate reserves are written off.

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

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

### **Money and its equivalents**

Money and its equivalents is money in the bank and cash register as well as other short-term investments with high liquidity and the initial term up to three months or less. The cash flow statement has been prepared according to the indirect method by making adjustments to reconcile operating profit with cash flows from operating, investing, and financing activities.

### **Accruals**

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

### **Credits and loans**

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

### **Lease**

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

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

### **Income recognition**

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

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**2. Summary of significant accounting policies (cont'd)***Rendering of services*

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

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

*Sale of goods*

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

*Interest*

Interest is recognised according to savings method.

*Dividends*

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

*Income from lease*

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

**Corporate income tax**

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

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

**Associated persons**

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

**Possible liabilities and assets**

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

**Share capital**

Company is a joint stock company. Company share capital is dividend in common shares. All shares are denominated and are dematerialised. More detailed information on spread of share capital is given in the Note 21.

**Accruals and deferred liabilities**

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

## 2. Summary of significant accounting policies (cont'd)

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

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

### 3. Segments of the Holding activities

	Logging		Timber processing		Other and undistributable		Total	
	2011.09.30	2010.09.30	2011.09.30	2010.09.30	2011.09.30	2010.09.30	2011.09.30	2010.09.30
	LVL	LVL	LVL	LVL	LVL	LVL	LVL	LVL
Net turnover	5 454 444	6 794 594	12 993 009	7 176 593	774 896	63 242	19 222 349	14 034 429
Production costs of sold products	-4 154 788	-5 394 655	-12 900 880	-7 069 470	-831 214	-203 271	-17 886 882	-12 667 396
Selling costs	-709 233	-977 669	-298 648	-9 907	-73 905	-15 079	-1 081 786	-1 002 655
General administration costs	-2 718	-3 585	-7 677	-2 918	-94 856	-105 530	-105 251	-112 033
Other incomes/expenditures from economic activity	-12 658	74 094	219 495	64 477	-65 089	-155 327	141 748	-16 756
<b>Segment profit</b>	<b>575 047</b>	<b>492 779</b>	<b>5 299</b>	<b>158 775</b>	<b>(290 168)</b>	<b>(415 965)</b>	<b>290 178</b>	<b>235 589</b>
Financial expenditures, net	-4 843	-39 359	-13 357	-9 336	-84 968	-68 226	-103 168	-116 921
Company income tax (undistributable)								
Other taxes			-3 792	-421	-6 920	-2 527	-10 712	-2 948
<b>Net result</b>	<b>570 204</b>	<b>453 420</b>	<b>(11 850)</b>	<b>149 018</b>	<b>(382 056)</b>	<b>(486 718)</b>	<b>176 298</b>	<b>115 720</b>
Segment assets	3 989 741	5 614 227	9 504 643	6 137 313	485 088	2 045 771	13 979 472	13 797 311
Segment liabilities	3 247 431	6 205 305	10 083 393	5 773 698	648 648	1 818 308	13 979 472	13 797 311
	Logging		Timber processing		Other and undistributable		Total	
	2011.09.30	2010.09.30	2011.09.30	2010.09.30	2011.09.30	2010.09.30	2011.09.30	2010.09.30
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Net turnover	7 760 975	9 667 836	18 487 386	10 211 372	1 102 578	89 985	27 350 939	19 969 193
Production costs of sold products	-5 911 731	-7 675 903	-18 356 298	-10 058 950	-1 182 711	-289 229	-25 450 740	-18 024 081
Selling costs	-1 009 148	-1 391 098	-424 938	-14 096	-105 157	-21 455	-1 539 243	-1 426 650
General administration costs	-3 867	-5 101	-10 923	-4 152	-134 968	-150 156	-149 759	-159 409
Other incomes/expenditures from economic activity	-18 011	105 426	312 313	91 743	-92 613	-221 010	201 689	-23 842
<b>Segment profit</b>	<b>818 218</b>	<b>701 161</b>	<b>7 540</b>	<b>225 916</b>	<b>(412 872)</b>	<b>(591 865)</b>	<b>412 886</b>	<b>335 213</b>
Financial expenditures, net	-6 891	-56 003	-19 005	-13 284	-120 899	-97 077	-146 795	-166 364
Company income tax	0	0	0	0	0	0	0	0
Other taxes	0	0	-5 396	-599	-9 846	-3 596	-15 242	-4 195
<b>Net result</b>	<b>811 327</b>	<b>645 159</b>	<b>(16 861)</b>	<b>212 034</b>	<b>(543 617)</b>	<b>(692 537)</b>	<b>250 849</b>	<b>164 655</b>
Segment assets	5 676 890	7 988 325	13 523 889	8 732 610	690 218	2 910 870	19 890 997	19 631 805
Segment liabilities	4 620 678	8 829 354	14 347 376	8 215 232	922 943	2 587 219	19 890 997	19 631 805

### 3. Segments of the Holding activities (continuation)

The Holding shows information through particular segments.

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

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

Segment descriptions:

*Logging*

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

*Timber processing*

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

*Other*

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

### 4. Net turnover through geographical segments

Since the economic activity of the Holding 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.

	30.09.2011 LVL	30.09.2010 LVL	30.09.2011 EUR	30.09.2010 EUR
<b>Income from sales, int. Al.</b>	18 559 269	13 401 673	26 407 461	19 068 863
Latvia	18 545 624	13 401 673	26 388 046	19 068 863
the EU countries	0	0	0	0
Other countries	13 645	0	19 415	0
<b>Income from rendering of services, int. Al.</b>	663 080	632 756	943 478	900 331
Latvia	663 080	632 756	943 478	900 331
the EU countries	0	0	0	0
Other countries	0	0	0	0
	<b>19 222 349</b>	<b>14 034 429</b>	<b>27 350 939</b>	<b>19 969 193</b>