

**AS "TALSU MEŽRŪPNIECĪBA"**

(REGISTRATION NUMBER 40003113243)

**ANNUAL REPORT FOR 12 MONTHS OF THE YEAR 2011  
(AUDITED)**

## INDEPENDENT AUDITORS' REPORT

To the shareholders of AS „Talsu Mežrūpniecība”

### Report on the Financial Statements

We have audited the accompanying financial statements of AS „Talsu Mežrūpniecība”. The audited financial statements on pages 6 to 20 comprise the balance sheet as of December 31, 2011, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Law of Republic of Latvia on Annual accounts. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Except as discussed in the paragraph below, we conducted our audit in accordance with International Standards on Auditing applicable in Latvia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of AS „Talsu Mežrūpniecība” as at 31 December 2011, and its financial performance and its cash flows for the year 2011 in accordance with Law of Republic of Latvia on Annual accounts.

### Report on Management report

We have also reviewed the management report for 2011 as set out on page 5 of the attached financial statements, and have not noted any material discrepancies between the financial information presented in the management report and that of the financial statements for 2011.

Daiga Baraua  
Svorn Auditor from Latvia  
License No 89

Talsi,  
April 20, 2012

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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 Street 26, Tukums, LV- 3104
Address of the executive bodies	Dumpīšu Street 3, Stende, LV – 3257
Shareholders	All Company shares are book-entry shares. Public placement at LCD – 230,000 shares are bearer shares
Board	Closed issue - 265,699 shares are registered shares <b>Gatis Štāks</b> , chairman of the Board Roja district., Parish Roja, “Birzītes” <b>Pēteris Klava</b> , member of the Board Talsi district., Parish Libagi, “Veikals” <b>Andis Gribusts</b> , member of the Board Talsi district, Parish Lauciene, „Dzelzkalēji”.
Supervisory Board	<b>Oskars Derings</b> , Chairman of the Supervisory Board, Liepāja, Toma Street 12/20-41 <b>Eva Emerberga</b> , member of the Supervisory Board Liepāja, Toma Street 12/20-41 <b>Alda Kiore</b> , member of the Supervisory Board Talsi district, Stende, Robezu Street 4. <b>Asmeralda Kļava</b> , member of the Supervisory Board Talsi district, Parish Abava, „Vītiņi”. <b>Dace Štāka</b> , member of the Supervisory Board Roja district, Parish Roja, “Birzītes”.
Period Audithor	01.01.2011.-31.12..2011. <b>Daiga Baraua</b> , sworn audithor, No. Sertificate 89, LTD “Aktīvs Talsi”, Reg.nr.51203006051, licence nr.70 Valdemara Street 13, Talsi, LV-3201, Latvia

## **MANAGEMENT REPORT**

The main activities of the Company in 2011 were logging and production of timber products: peeled and turn poles production in timber processing unit.

Company's net sales LVL 1 608 970, compared to last year has increased by 23%, but gross profit by 4%. The financial position of the Company during 12 month of the 2011 significantly affected WestBank-Riga Ltd, which caused damage our company. The year 2011 closed with a loss of LVL 16 554, drawn up by provisions made receivable Westbank-Riga Ltd.

During 12 month 14 424 m<sup>3</sup> pales were produced in the timber processing unit and woodchips of 49 872 m<sup>3</sup> were sold.

Total revenues for the Company during 12 month 2011 were LVL 1 608 970, revenues from access LVL 13 782.

The result for 12 month 2011 is losses LLV 16 554 which corresponds to Ls 0.033 losses 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 losses for the year will be cover with profit of the next periods.

#### **Board:**

Gatis Štāks  
Chierman of the Board

Pēteris Kļava  
Member of the Board

Andis Gribusts  
Member of the Board

April 20, 2012

JSC “Talsu mežrūpniecība”  
Financials statement for 12 month  
of the year 2011

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 Financial report for 12 month of the year of 2011 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 December 31, 2011, its financial results in 12 month of the year 2011 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

### Profit and Loss Statement

	Note	2011 Ls	2010 Ls	2011 EUR	2010 EUR
Revenues	2	1 608 970	1 308 778	2 289 358	1 862 223
Cost of goods sold	3	(1 525 390)	(1 228 594)	(2 170 434)	(1 748 132)
<b>Gross result</b>		<b>83 580</b>	<b>80 184</b>	<b>118 924</b>	<b>114 091</b>
Administration expenses	4	(36 290)	(40 734)	(51 636)	(57 959)
Other operating income	5	13 074	83 858	18 603	119 319
Other operating expenses	6	(69 690)	(39 560)	(94 891)	(56 289)
Financial income	7	167	2 480	238	3 529
Financial expenses	8	(3 241)	(12 093)	(4 612)	(17 207)
<b>Profit (loss) before taxes</b>		<b>(9 400)</b>	<b>74 135</b>	<b>(13 374)</b>	<b>105 484</b>
Deferred corporate income tax	9; 18	(5 986)	(10 556)	(8 517)	(15 020)
Other taxes	17	(1 168)	(1 448)	(1 662)	(2 060)
<b>Net profit (loss)</b>		<b>(16 554)</b>	<b>62 131</b>	<b>(23 553)</b>	<b>88 404</b>

Notes on pages 13 to 21 are integral part of the financial statements

**Board:**

Gatis Štāks  
Chairman of the Board

Pēteris Kļava  
Member of the Board

Andis Gribusts  
Member of the Board

April 20, 2012

## Balance Sheet

		<b>ASSETS</b>			
<b>LONG TERM ASSETS</b>	Note	31.12.2011 Ls	31.12.2010. Ls	31.12.2011. EUR	31.12.2010. EUR
<b>Fixed assets</b>					
Land, buildings and constructions		99 247	86 825	141 216	123 541
Machinery and equipments		143 038	117 820	203 525	167 643
Other fixed assets		29 385	11 133	41 811	15 841
Advances for fixed assets		41 121		58 510	
TOTAL	10	<b>312 791</b>	<b>215 778</b>	<b>445 062</b>	<b>307 025</b>
<b>TOTAL LONG TERM ASSETS</b>		<b>312 791</b>	<b>215 778</b>	<b>445 062</b>	<b>307 025</b>
<b>CURRENT ASSETS</b>					
<b>Inventories</b>					
Materials		6 925	3 495	9 853	4 973
Production in progress		31 811	34 341	45 263	48 863
Goods for sale		67 578	96 746	96 155	137 657
Advances for goods		4 500	6 558	6 403	9 331
TOTAL		<b>110 814</b>	<b>141 140</b>	<b>157 674</b>	<b>200 824</b>
<b>Debtors</b>					
Trade receivables, net	11	52 339	89 805	74 472	127 781
Other debtors	12	3 902	3 827	5 552	5 445
Prepaid expenses		2 195	1 098	3 123	1 562
TOTAL		<b>58 436</b>	<b>94 730</b>	<b>83 147</b>	<b>134 789</b>
<b>Cash and cash equivalents</b>		40 566	49 831	57 720	70 903
<b>TOTAL CURRENT ASSETS</b>		<b>209 816</b>	<b>285 701</b>	<b>298 541</b>	<b>406 516</b>
<b>TOTAL ASSETS</b>		<b>522 607</b>	<b>501 479</b>	<b>743 603</b>	<b>713 540</b>

Notes on pages 12 to 20 are integral part of the financial statements

**Board:**

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Chierman of the Board

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Member of the Board

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April 20, 2012



**AS „TALSU MEŽRŪPNIECĪBA”**  
**ANNUAL REPORT OF 12 MONTHS OF THE YEAR 2011 ( AUDITED)**

**EQUITY AND LIABILITIES**

EQUITY	Piezīme	31.12.2011.	31.12.2010.	31.12.2011.	31.12.2010
		Ls	Ls	EUR	EUR
Share capital	14	495 699	495 699	705 316	705 316
Retained earnings				-	-
Prior year loss		(154 029)	(216 160)	(219 164)	(307 568)
Current year profit (loss)		(16 456)	62 131	(23 415)	88 404
<b>Total equity</b>		<b>325 214</b>	<b>341 670</b>	<b>462 737</b>	<b>486 153</b>
<b>Provisions</b>					
Other provisions	15	9 737	7 476	13 855	10 637
<b>TOTAL PROVISIONS</b>		<b>9 737</b>	<b>7 476</b>	<b>13 855</b>	<b>10 637</b>
<b>LIABILITIES</b>					
<b>Long term liabilities</b>					
Loans from credit institutions	17	42 841	32 891	60 957	46 800
Other loans	17	24 933	-	35 476	-
Deferred tax liabilities	19	17 451	16 712	24 831	23 779
TOTAL		<b>85 225</b>	<b>49 603</b>	<b>121 264</b>	<b>70 579</b>
<b>Short term liabilities</b>					
Loans from credit institutions	17	34 301	25 301	48 806	36 000
Other loans	17	6 270	-	8 921	-
Advances from customers	0	200	-	285	-
Trade and other payables		35 954	43 016	51 158	61 206
Taxes and social security payment	18	8 906	17 089	12 672	24 315
Other creditors		13 701	16 122	19 495	22 940
Occrued liabilities	16	3 197	1 202	4 549	1 710
TOTAL		<b>102 529</b>	<b>102 730</b>	<b>145 886</b>	<b>146 171</b>

Notes on pages 12 to 20 are integral part of the financial statements

**Board:**

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April 20, 2012

## Equity Statement

<b>Ls</b>	Share capital	Prior period loss	Current period profit (loss)	<b>Total</b>
<b>January 1, 2010</b>	495 699	(243 324)	27 164	279 539
Transferred to prior period losses	-	27 164	(27 164)	-
Current period loss	-	-	62 131	62 131
<b>December 31, 2011</b>	<b>495 699</b>	<b>(216 160)</b>	<b>62 131</b>	<b>341 670</b>
Transferred to prior period losses	-	62 131	(62 131)	-
Current period profit	-	-	(16 554)	(16 554)
<b>December 31, 2011</b>	<b>495 699</b>	<b>(154 029)</b>	<b>(16 554)</b>	<b>325 116</b>

<b>EUR</b>	Share capital	Prior period loss	Current period profit (loss)	<b>Total</b>
<b>January 1, 2010</b>	705 316	(346 219)	38 651	397 748
Transferred to prior period losses	-	38 651	(38 651)	-
Current period loss	-	-	88 404	88 404
<b>December 31, 2010</b>	<b>705 316</b>	<b>(307 568)</b>	<b>88 404</b>	<b>486 152</b>
Transferred to prior period losses	-	88 404	(88 404)	-
Current period profit	-	-	(23 553)	(23 553)
<b>December 31, 2011</b>	<b>705 316</b>	<b>(219 164)</b>	<b>(23 553)</b>	<b>462 599</b>

Notes on pages 12 to 20 are integral part of the financial statements.

**Board:**

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April 20, 2012

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

	2011	2010	2011	2010
	Ls	Ls	EUR	EUR
<b>Operating cash flow</b>				
Profit (loss) before taxes	(9 242)	74 135	(13 150)	105 485
Adjustments:				
Depreciation	39 958	39 276	56 855	55 885
Interest (income)/expenses	3 392	3 386	4 826	4 818
Increases/(decrease) in provisions	1 059	(5 295)	1 507	(7 534)
Asset write offs	-	-	-	-
(Profit)/loss from sale of fixed assets	(3 384)	(49 136)	(4 815)	(69 914)
Revaluation of biological assets	(167)	6 305	(238)	8 971
(profit)/loss from currency fluctuations	-	-	-	-
<b>Operating cash flow before changes in current assets</b>	<b>30 326</b>	<b>30 817</b>	<b>43 150</b>	<b>43 849</b>
Decrease/(increase) of inventories	36 394	7 674	51 784	10 919
Decrease/(increase) of debtors	42 150	(89 818)	59 974	(127 800)
Increases/(decrease) in creditors	<b>140 486</b>	<b>17 344</b>	<b>199 894</b>	<b>24 678</b>
<b>Operating cash flow</b>	<b>(2 885)</b>	<b>(3 386)</b>	<b>(4 105)</b>	<b>(4 818)</b>
Interest paid	8 848	-	12 590	-
Corporate income tax paid	(1 668)	(1 448)	(2 373)	(2 060)
Real estate tax paid	<b>144 781</b>	<b>12 510</b>	<b>206 005</b>	<b>17 800</b>
<b>Net operating cash flow</b>				
<b>Cash flow from investing activities</b>	<b>(141 777)</b>	<b>(92 904)</b>	<b>(201 730)</b>	<b>(132 190)</b>
Acquisition of long term assets	13 782	77 395	19 610	110 123
Income from sale of fixed assets	-	-	-	-
<b>Net cash flow from investing activities</b>				
<b>Cash flow from financing activities</b>			-	-
Loans received/(paid), net			-	-
<b>Net financing cash flow</b>				
<b>Cash increase/(decrease)</b>	<b>(9 265)</b>	<b>(28 300)</b>	<b>(13 183)</b>	<b>(40 267)</b>
<b>Cash at the beginning of the year</b>	<b>49 831</b>	<b>78 131</b>	<b>70 903</b>	<b>111 170</b>
<b>Cash at the end of the year</b>	<b>40 566</b>	<b>49 831</b>	<b>57 720</b>	<b>70 903</b>

Notes on pages 12 to 20 are integral part of the financial statements.

**Board:**

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Andis Gribusts  
Member of the Board

April 20, 2012

## **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, 2011. 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>31.12.2011.</b>	<b>31.12.2010.</b>
	<b>LVL</b>	<b>LVL</b>
1GBP	0.840000	0.824000
1 USD	0.544000	0.535000
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	4% - 5%
Machinery and equipment	10% - 20%
Other fixed assets	20% - 35%

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

**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 provision 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 12 MONTHS OF THE YEAR 2011 (AUDITED)**

**2. Revenues**

	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>Ls</b>	<b>Ls</b>	<b>EUR</b>	<b>EUR</b>
Timber product related revenues	1 354 335	1 107 653	2 003 183	1 576 048
Other revenues	254 635	201 125	286 175	286 175
<b>Total:</b>	<b>1 608 970</b>	<b>1 308 778</b>	<b>2 289 358</b>	<b>1 862 223</b>

**Revenues according to geographical markets:**

	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>Ls</b>	<b>Ls</b>	<b>EUR</b>	<b>EUR</b>
Latvia	1 326 681	1 133 381	1 887 697	1 612 656
Lithuania	-	774		1 101
United Kingdom	282 289	174 623	401 661	248 466
<b>Total:</b>	<b>1 608 970</b>	<b>1 308 778</b>	<b>2 289 358</b>	<b>1 862 223</b>

**3. Cost of goods sold**

	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>Ls</b>	<b>Ls</b>	<b>EUR</b>	<b>EUR</b>
Cost of materials	978 773	771 534	1 392 668	1 097 794
Cost of external services	53 946	49 389	76 759	70 274
Depreciation	39 958	39 276	56 855	55 886
Salaries	182 052	161 125	259 038	229 260
Social contributions				
	50 910	47 278	72 438	67 270
Other costs of goods sold	219 751	159 992	312 676	227 648
<b>Total:</b>	<b>1 525 390</b>	<b>1 228 594</b>	<b>2 170 434</b>	<b>1 748 132</b>

**AS „TALSU MEŽRŪPNIECĪBA”**  
**ANNUAL REPORT OF 12 MONTHS OF THE YEAR 2011 (AUDITED)**

**4. Administration expenses**

	2011	2010	2011	2010
	Ls	Ls	EUR	EUR
Personnel costs	31987	35 912	45 513	51 099
Other administration expenses	4 303	4 822	6 123	6 860
<b>Total:</b>	<b><u>36 290</u></b>	<b><u>40 734</u></b>	<b><u>51 636</u></b>	<b><u>57 959</u></b>

The Board does not receive remuneration

**5. Other operating incomes**

	2011	2010	2011	2010
	Ls	Ls	EUR	EUR
Income from assets	13 782	77 395	19 610	110 123
Fixed asset write offs	<u>(3 384)</u>	<u>(28 259)</u>	<u>(4 815)</u>	<u>(40 209)</u>
Disposals net result	10 398	49 136	14 795	69 914
Proceeds from the transaction with certificates	-	6 402	-	9 109
Income from certificates	-	6 402	-	9 109
Other incomes	2677	61	3808	87
<b>Summa kopā:</b>	<b><u>13 074</u></b>	<b><u>55 599</u></b>	<b><u>18 603</u></b>	<b><u>79 110</u></b>

**6. Other operating expenses**

	2011	2010	2011	2010
	Ls	Ls	EUR	EUR
Stock exchange related expenses	5 930	6 102	8 437	8682
Provisions for doubtful accounts	58 986	4 680	83 930	6 659
Other expenses	1 774	519	2 524	739
<b>Total:</b>	<b><u>69 916</u></b>	<b><u>11 301</u></b>	<b><u>94 891</u></b>	<b><u>16 080</u></b>

**7. Financial income**

	2011	2010	2011	2010
	Ls	Ls	EUR	EUR
Income from currency fluctuations	807	-	1148	-
Exchange losses	(640)	-	(910)	-
Result net from incomes	167	-	238	-
Other income	-	78	-	111
<b>Total:</b>	<b><u>167</u></b>	<b><u>78</u></b>	<b><u>238</u></b>	<b><u>111</u></b>

**AS „TALSU MEŽRŪPNIECĪBA”**  
**ANNUAL REPORT OF 12 MONTHS OF THE YEAR 2011 (AUDITED)**

**8. Financial expenses**

	2011	2010	2011	2010
	Ls	Ls	EUR	EUR
Interest expenses	3 241	3 386	4 611	4 818
Incomes from currency	-	2 402	-	3 417
Loss from currency fluctuations	-	(8 707)	-	(12 389)
Result net currency losses	-	6 305	-	8 972
<b>Total:</b>	<b>3 241</b>	<b>9 691</b>	<b>4 612</b>	<b>13 789</b>

**9. Corporate income tax**

	2011	2010	2011	2010
	Ls	Ls	EUR	EUR
Deferred corporate income tax income/ (expenses)	5 247	4 368	7 465	6 215
Corporate income tax income	739	6 188	1052	8 805
<b>Total:</b>	<b>5 986</b>	<b>10 556</b>	<b>8 517</b>	<b>15 020</b>

**10. Fixed assets**

Ls	Land, buildings and constructions	Machinery and equipment	Other fixed assets	Advances for fixed assets	TOTAL
Historical cost 31.12.2010	141 125	681 431	32 994	-	855 550
2011 Acquisitions	16 752	60 797	21 685	42 543	141 777
Write offs	-	(138 983)	(5 593)	-	(144 576)
Historical cost 30.09.2011	157 877	603 245	49 086	42 543	852 751
Accumulated depreciation 31.12.2010	54 300	563 611	21 861	-	639 772
2011 Depreciation	4 330	32 267	3 361	1 422	41 380
Depreciation of assets written off	-	(135 671)	(5 521)	-	(141 192)
Accumulated depreciation 31.03.2011	58 630	460 207	19 701	1 422	539 960
<b>Net book value 31.12.2010</b>	<b>86 825</b>	<b>117 820</b>	<b>11 133</b>	<b>-</b>	<b>215 778</b>
<b>Net book value 30.09.2011</b>	<b>99 247</b>	<b>143 038</b>	<b>29 385</b>	<b>41 121</b>	<b>312 791</b>

EUR	Land, buildings and constructions	Machinery and equipment	Other fixed assets	Advances for fixed assets	TOTAL
Historical cost 31.12.2010	200 803	969 588	46 946	-	1 217 337
2011 Acquisitions	23 836	86 507	30 854	60 533	201 730
Write offs	-	(197 755)	(7 958)	-	(205 713)
Historical cost 30.09.2011	224 639	858 340	69 842	60 533	1 213 354
Accumulated depreciation 31.12.2010	77 262	801 945	31 105	-	910 312
2011 Depreciation	6 161	45 911	4 782	2 023	58 877
Depreciation of assets written off	-	(193 041)	(7 856)	-	(200 897)
Accumulated depreciation 30.09.2011	83 423	654 815	28 031	2 023	768 292
<b>Net book value 31.12.2010</b>	<b>123 541</b>	<b>167 643</b>	<b>15 841</b>	<b>-</b>	<b>307 025</b>
<b>Net book value 30.09.2011</b>	<b>141 216</b>	<b>203 525</b>	<b>41 811</b>	<b>58 510</b>	<b>445 062</b>



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Cadastral value of assets of the Company:

	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>Ls</b>	<b>Ls</b>	<b>EUR</b>	<b>EUR</b>
Land	2 1584	55 114	30 711	78 240
Buildings and constructions	87 682	73 100	124 761	107 192
<b>Total:</b>	<b>109 266</b>	<b>128 214</b>	<b>155 472</b>	<b>182 432</b>

Fixed assets of the Company are pledged as security for credit line issued by SC „SEB bank” (see Note 20).

**11. Trade receivables, net**

	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>Ls</b>	<b>Ls</b>	<b>EUR</b>	<b>EUR</b>
Gross trade receivables	116 006	94 485	165 062	134 440
Provisions for doubtful accounts	(63 667)	(4 680)	(90590)	(6 659)
<b>Total:</b>	<b>52 339</b>	<b>89 805</b>	<b>74 472</b>	<b>127 781</b>

**12. Other debtors**

	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>Ls</b>	<b>Ls</b>	<b>EUR</b>	<b>EUR</b>
VAT receivable	3 422	3 176	4 870	4 519
Other debtors	480	651	682	926
<b>Total:</b>	<b>3 902</b>	<b>3 827</b>	<b>5 552</b>	<b>5 445</b>

**13. Cash**

	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>Ls</b>	<b>Ls</b>	<b>EUR</b>	<b>EUR</b>
LVL 1 418	1 418	24 716	2 018	35 168
GBP 21	18	14 763	26	21 005
EUR 55 676	39 130	10 352	<b>55 676</b>	<b>14 730</b>
<b>Total:</b>	<b>40 566</b>	<b>49 831</b>	<b>5 552</b>	<b>70 903</b>

**14. Share capital**

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

	<b>Number</b>	<b>Value (Ls)</b>	<b>Total value (Ls)</b>	<b>Total value (EUR)</b>
Close issue shares	265 699	1	265 699	378 058
Public placement	230000	1	230000	327258
		1		
<b>Total:</b>	<b>495 699</b>		<b>495 699</b>	<b>705 316</b>

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**15. Other provisions**

	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>Ls</b>	<b>Ls</b>	<b>EUR</b>	<b>EUR</b>
Balance at beginning of year	7 476	12 773	10 637	18 174
Provisions for vacations	2 261	(5 297)	3 218	(7 537)
Other provisions				
<b>Total:</b>	<b>9 737</b>	<b>7 476</b>	<b>13 855</b>	<b>10 637</b>

**16. Accrued liability**

	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>Ls</b>	<b>Ls</b>	<b>EUR</b>	<b>EUR</b>
Accruals for prospective payment	3 197	1 202	4 549	1 710
<b>Total:</b>	<b>3 197</b>	<b>1 202</b>	<b>4 549</b>	<b>1 710</b>

**17. Loans from credit institutions**

	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>Ls</b>	<b>Ls</b>	<b>EUR</b>	<b>EUR</b>
<i>Long term</i>				
Loan from SC SEB bank	42 841	32 891	60 958	46 800
SEB Lease	24 933	-	35 476	-
<i>Short term</i>				
Loan from SC SEB bank	34 301	25 301	48 806	36 000
SEB Lease	6 270	-	8 921	-
<b>Total:</b>	<b>108 345</b>	<b>58 192</b>	<b>154 161</b>	<b>82 800</b>

In accordance with provisions of the agreement, the loan repayment shall be done in monthly principal repayments with final term March 7, 2013. The interest rate for the loan is 3 month EURIBOR + 3.8%.

In accordance with provisions for the loan agreement, the long term loan from credit institution expires on 7 March 2013. 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.

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**18. Taxes payable**

<b>Ls</b>	(Liabilities)/	Calculated	2011	Paid/(claimed back)	(Liabilities)/
	assets		Tranferred to other taxes		assets
	31.12.2010				30.06.2011
Value added tax (VAT)	3 176	(958)	(10 677)	11 881	3 422
Social contributions	(7 835)	(74 172)	10 677	64 147	(7 183)
Personnel income tax	(4 699)	(35 236)	-	37 175	(760)
Real estate tax	-	(1 168)	-	1 168	-
Nature resources tax	(176)	(196)	-	187	(185)
Corporate income tax	(4 368)	(5 247)	-	8 848	(767)
Risk duty	(11)	(146)	-	146	(11)
<b>Total</b>	<b>(13 913)</b>	<b>(115 123)</b>	<b>-</b>	<b>123 552</b>	<b>(5 484)</b>
Liabilities	(17 089)				(8 906)
Prepayments					3 422

<b>EUR</b>	(Liabilities)/	Calculated	2011	Paid/(claimed back)	(Liabilities)/
	assets		Tranferred to other taxes		assets
	31.12.2010				30.06.2011
Value added tax (VAT)	4 519	(1 363)	(15 192)	16 905	4 869
Social contributions	(11 148)	(105 537)	15 192	91 272	(10 221)
Personnel income tax	(6 686)	(47 291)	-	52 896	(1 081)
Real estate tax	-	(1 662)	-	1 662	-
Nature resources tax	(250)	(279)	-	266	(263)
Corporate income tax	(6 215)	(7 551)	-	12 589	(1 091)
Risk duty	(16)	(207)	-	207	(16)
<b>Total</b>	<b>(19 796)</b>	<b>(163 804)</b>	<b>-</b>	<b>175 797</b>	<b>(7 803)</b>
Liabilities	(24 315)				(12 672)
Prepayments					4869

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

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**19. Deferred taxation**

Deferred taxation referable on following provisory difference

	2011 LVL	2011 LVL	2010 LVL	2010 LVL
	active	liabilities	active	liabilities
Fixed assets	-	18 911	-	17 833
Transfer loss from taxes	-	-	-	-
Money for vacation	1 460	-	1 121	-
<b>Net deferred taxation:</b>	<u>-</u>	<u>17 451</u>	<u>-</u>	<u>16 712</u>

	2011 EUR	2011 EUR	2010 EUR	2010 EUR
	active	liabilities	active	liabilities
Fixed assets	-	26 908	-	25 374
Transfer loss from taxes	-	-	-	-
Money for vacation	2 077	-	1 595	-
<b>Net deferred taxation:</b>	<u>-</u>	<u>24 831</u>	<u>-</u>	<u>23 779</u>

	2011 LVL	2010 LVL	2011 EUR	2010 EUR
Deferred taxation	16 712	10 524	23 779	14 974
Accepted changes of deferred taxation at calculation of proff and loss Statement	739	6 188	1 052	8 805
Money for vacation	-	-	-	-
<b>Total:</b>	<u>17 451</u>	<u>16 712</u>	<u>24 831</u>	<u>23 779</u>

**19. Number of employees**

	2011	2010
Average number of employees for the reporting year	<u>46</u>	<u>43</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.

**Board:**

Gatis Štāks  
Chierman of the Board

Pēteris Kļava  
Member of the Board

Andis Gribusts  
Member of the Board

April 20, 2012