JOINT-STOCK COMPANY „SALDUS MEŽRŪPNIECĪBA" AND ITS SUBSIDIARY COMPANIES

(SINGLE REGISTRATION NUMBER 40003020121)

ANNUAL REPORT FOR THE YEAR 2010

DRAWN-UP IN COMPLIANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

AND INDEPENDENT AUDITORS' STATEMENT

Saldus, 2011

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Information about the Company

Name of the Company	***Saldus Timber Wood Industry (Saldus mežrūpniecība)***
Legal status of the Company	Joint Stock Company
Registration number, place, and date	40003020124 August 26,1991, Riga
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 Bertrans (*Jānis Bertrāns*) – Chancellor of the Board Janis Merkalns (*Jānis Mierkalns*)– member of the Board Gundars Maurs (*Gundars Maurs*) – member of the Board Gatis Zommers (*Gatis Zommers*) – member of the Board
Members of the Council: name, surname, position	Uldis Melrkalns (*Uldis Mierkalns*) – Chairman of the Council Lolita Burkovska (*Lolita Burkovska*) – Deputy Chairman of the Board Maris Elleris (*Māris Elleris*) – member of the Council Janis Leimanis (*Jānis Leimanis*) – member of the Council Ainis Dabols (*Ainis Dābols*) – member of the Council
Subsidiary enterprise	
1. Name of the company	*Pukuli Sports Premises (Pakuļu sporta bāze) (100%)*
Legal status of the company	Limited Liability Company
NUMBER AND DATE OF REGISTRATION IN THE COMMERCIAL REGISTER	48503009010 November 21, 2002
Address	“Meževidi”, 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 – December 31, 2010
2. Name of the company	Woodworking Centre No.3 (*Деревообрабатывающий комбинат № 3*) *(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 – December 31, 2010
3. Name of the company	Saldus (*Салдус*) *(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 – December 31, 2010
	(Translated from Latvian)
Name and address of the Auditor	Svetlana Koļesņikova Sworn Auditor (Certificate of Latvian Sworn Auditor No.) License of Commercial Company No.127

Management announcement

To Consolidated report of economic activity of Year 2010

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.
From the mid-year of 2010, situation is stabilized in the sector. The demand for sawn timber and assortments of logs has grown in the market.
The consolidated profit of the holding JSC „Saldus mežrūpniecība" of Year 2010 from economic activities after tax losses is 237 843 LVL, whereby Net turnover is 19 660 224 LVL, which comprise losses per emitted share 0,61 LVL.
The consolidated companies 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 and of its consolidation group. There is true information included in the announcement.

Important events after the end of year of account

From the end of period of account until the moment of approval of the consolidated report, there were no significant events that could make impact on the financial position of the holding that was fixed in the consolidated finance report.

Forecasts for financial indicators and plans for economic activities in 2011

Management of the holding continues its work with the internal restructurization of the holding, in order to adapt to the present situation in the market and to improve the economical situation and financial indicators in the company. Management policy is not based on wide profile economic activities, but is focused on the development of economic activities in two interrelated branches on increase of production volumes.
Due to political events in the Near East at the moment demand for sawn timber in the region has decreased, which was the target supply region of the company.
Production and sale volumes in forestry in 2011 are planned to reach 350 000m³ per year. The planned volume of sawn timber products production and sale is 200 000 m³ per year.

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 the growing demand in the timber market is taken into account. 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.

April 29, 2010

Jānis Bertrāns	Janis Mierkalns	Gundars Maurs	Gatis Zommers
Chairman of board	Vice-chairman	Member of board	Member of board

Statement of Management Responsibility

Management is responsible for preparing financial statements based on the initial accounting records of each year of account, which truly reflects the 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 31 December 2010, proper accounting methods were used, their application was consistent, reasonable and prudent decisions were taken. The Management confirms that the relevant International. Accounting Standards have been observed and the financial statements have been prepared in accordance with the principle of continuation. The Management is responsible for keeping proper accounting records, the company's resources conservation as well as fraud prevention and prevention of other irregularities.

Consolidated income statement

	Note	2010 LVL	2009 LVL	2010 EUR	2009 EUR
Net turnover	4	19 660 224	9 285 030	27 973 979	13 211 407
Production costs of the sold production	5	(18 602 346)	(8 202 985)	(26 468 754)	(11 671 796)
Gross profit		**1 057 878**	**1 082 045**	**1 505 225**	**1 539 611**
Selling costs	6	(841 396)	(870 902)	(1 197 199)	(1 239 182)
General administration costs	7	(230 221)	(168 189)	(327 575)	(239 311)
Other income from company's economic activity	8	422 781	448 459	601 563	638 100
Other expenditures from company's economic activity	9	(492 133)	(184 130)	(700 242)	(261 993)
Profit or loss from economic activity		**(83 091)**	**307 283**	**(118 228)**	**437 224**
Othe interest payments and the like payments	11	(143 085)	(235 079)	(203 592)	(334 487)
Profit or loss before extraordinary items and taxes		**(226 176)**	**72 204**	**(321 819)**	**102 737**
Profit or loss before taxes		**(226 176)**	**72 204**	**(321 819)**	**102 737**
Company's deferred income tax	12	15 490	82 205	22 040	116 967
Other taxes	13	(27 157)	(30 510)	(38 641)	(43 412)
Profit or (loss)		**-237 843**	**123 899**	**-338 420**	**176 292**
Other incomes (in the review year) that are not shown in the profit and loss account.		-	-	-	-
Profit/ (loss) per share		**-237 843**	**123 899**	**-338 420**	**176 292**
LVL per share / EUR per share		**(0,61)**	**0,32**	**(0,87)**	**0,46**

The annex is an integral part of this financial statement

Board :

Jānis Bertrāns	Janis Mierkalns	Gundars Maurs	Gatis Zommers
Chairman of board	Vice-chairman	Member of board	Member of board

Consolidated balance sheet

ASSETS	Note	2010.12.31 LVL	2009.12.31 LVL	2010.12.31 EUR	2009.12.31 EUR
LONG-TERM INVESTMENTS					
Intangible investments					
Concessions, patents, licences, trademarks and the like		34 202	46 159	48 665	65 678
Company's intangible value		22 834	132 000	32 490	187 819
Advance payments for intangible investments		-	-	-	-
TOTAL	14	**57 036**	**178 159**	**81 155**	**253 497**
Fixed assets					
Land, premises and buildings		2 835 210	2 936 595	4 034 140	4 178 398
Equipment and machinery		1 236 146	1 320 805	1 758 877	1 879 336
Other fixed assets		18 468	17 232	26 278	24 519
Unfinished constructions	16	1 458 255	1 158 674	2 074 910	1 648 645
Advance payments for fixed assets	16	1 405 810	29 728	2 000 287	42 299
TOTAL	15	**6 953 889**	**5 463 034**	**9 894 493**	**7 773 197**
Biological assets		**636 134**	**553 296**	**905 137**	**787 269**
TOTAL LONG-TERM INVESTMENTS		**7 647 059**	**6 194 489**	**10 880 785**	**8 813 964**
CURRENT ASSETS					
Stocks					
Raw materials, direct materials, auxiliary materials		245 536	251 463	349 366	357 800
Biological assets		337 995	298 760	480 924	425 097
Unfinished production		2 843 643	1 300 105	4 046 139	1 849 883
Finished production and goods for sale		191 209	157 840	272 066	224 586
Advance payments for goods		123 085	1 383 048	175 134	1 967 900
TOATL	17	**3 741 468**	**3 391 216**	**5 323 629**	**4 825 266**
Noncurrent assets held for sale					
Fixed assets held for sale	18	**210 197**	**127 090**	**299 083**	**180 833**
Debtors					
Debts of buyers and customers	19	279 591	670 443	397 822	953 954
Accured income		1 224	1 141	1 742	1 623
Other debtors	20	230 048	192 334	327 329	273 667
Expenditures of the next periods	21	304 093	239 881	432 685	341 320
TOTAL		**814 956**	**1 103 799**	**1 159 578**	**1 570 564**
Money and its equivalents	22	98 445	20 181	140 075	28 715
TOTAL CURRENT ASSETS		**4 865 066**	**4 642 287**	**6 922 365**	**6 605 378**
TOTAL ASSETS		**12 512 125**	**10 836 776**	**17 803 150**	**15 419 342**

The annex is an integral part of this financial statement

Board:

Jānis Bertrāns	Janis Mierkalns	Gundars Maurs	Gatis Zommers
Chairman of board	Vice-chairman	Member of board	Member of board

Consolidate balance sheet (continuation)

Shareholders'equity and liabilities	Note	31.12.2010. LVL	31.12.2009. LVL	31.12.2010. EUR	31.12.2009. EUR
Shareholders'equity					
Share capital	23	387 136	387 136	550 845	550 845
Increase of price of the issue of shares		1 987	1 987	2 827	2 827
Reserves from revaluation of long-term investments		802 492	802 492	1 141 843	1 141 843
Adjusment reserve of foreign currency		(48 558)	(116 904)	(69 092)	(166 339)
Other reserves		2 623 085	2 623 085	3 732 314	3 732 314
Retained earnings from the previos year		(133 607)	(251 432)	(190 106)	(357 756)
Retained earnings from the year of accunt		(237 843)	123 899	(338 420)	176 292
TOTAL		**3 394 692**	**3 570 263**	**4 830 212**	**5 080 027**
Total shareholders'equity		**3 394 692**	**3 570 263**	**4 830 212**	**5 080 027**
Liabilities					
Long-term liabilities					
Deferred company's income tax	12	88 848	104 338	126 419	148 460
Long-term loans from credit institutions	24	1 147 488	1 840 686	1 632 728	2 619 060
Long-term part of financial lease liabilities	24	84 051	222 251	119 594	316 235
Other creditors	25	947 269	1 409 948	1 347 842	2 006 175
Long-term part of incomes from next periods	30	540 393	65 888	768 910	93 750
TOTAL		**2 808 049**	**3 643 111**	**3 995 494**	**5 183 680**
Short-term liabilities					
Short-term loans from credit institutions	24	2 255 824	1 752 536	3 209 748	2 493 634
Short-term part of financial lease	24	138 199	180 763	196 639	257 203
Advance payments received from buyers		115 125	74 805	163 808	106 438
Debts to suppliers and contractors		3 482 659	1 342 796	4 955 377	1 910 627
Provisions liabilities	29	17 041	12 566	24 247	17 880
Accured liabilities	28	119 527	75 561	170 072	107 514
Taxes payable	26	96 467	93 675	137 260	133 288
Other creditors	27	68 302	74 459	97 185	105 946
Incomes from the next periods short-term part	30	16241	16241	23 109	23 109
Unpaid dividends from the previous years				-	-
TOTAL		**6 309 385**	**3 623 402**	**8 977 446**	**5 155 637**
Total liabilities		**9 117 434**	**7 266 513**	**12 972 940**	**10 339 317**
Total shareholders'equity and liabilities		**12 512 125**	**10 836 776**	**17 803 151**	**15 419 343**

The annex is an integral part of this financial statement

Board:

Jānis Bertrāns	Janis Mierkalns	Gundars Maurs	Gatis Zommers
Chairman of board	Vice-chairman	Member of board	Member of board

Consolidated cash flow statement

Cash flow from basic activity	2010.12.31	2009.12.31	2010.12.31	2009.12.31
	LVL	LVL	EUR	EUR
Profit (+) or loss (-) before extraordinary items and taxes:	**(226 176)**	**72 204**	**(321 819)**	**102 737**
Wear and tear of fixed assets and intangible investments (+)	585 248	643 790	832 733	916 031
Elimination of fixed assets and intangible investments	113 987	49 787	162 189	70 841
Reevalution of long-term ivestments	109 184			
Reevalution of biological assets	(82 838)			
Formation of accruals (except for the accruals for insecure debts)	-	27 484	-	39 106
Profit (-) or loss (+) from fluctuations of exchange rate	1 348	11 140	1 918	15 851
Income from the acknowledgement of financing	(16 241)	(16 241)	(23 109)	(23 109)
Costs of currency exchange	-	(154 839)	-	(220 316)
Interest payments and the like expenditures	293 062	217 412	416 990	309 349
Profit or loss before the corrections of the impact of balance changes	**777 574**	**850 738**	**1 068 901**	**1 210 490**
Increase (+) or decrease (-) of the remainder of debts payable	332 571	53 861	473 206	76 637
Increase (+) or decrease (-) of the reserves of accruals	(437 476)	(427 032)	(622 472)	(607 612)
Increase (+) or decrease (-) of the remainder of debts payable to suppliers, contractors and other creditors	2 126 481	922 945	3 025 710	1 313 232
Gross cash flow from basic activity	**2 799 150**	**1 400 512**	**3 945 345**	**1 992 748**
Expenditures to pay interest payments	(293 062)	(242 973)	(416 990)	(345 719)
Expenditures to pay company's income tax and immovable property tax	(112 241)	(22 546)	(159 705)	(32 080)
Net cash flow from basic activity	**2 393 847**	**1 134 993**	**3 368 650**	**1 614 948**
Cash flow from investments				
Acquisition of fixed assets and intangible investments	(545 900)	(133 006)	(776 746)	(189 250)
Expenditures for advance payments for fixed assets and unfinished constructions	(1 469 402)	(580 116)	(2 090 771)	(825 431)
Income from selling fixed assets and intangible investments	18 739	2 085	26 663	2 967
Net cash flow from investments	**(1 996 563)**	**(711 037)**	**(2 840 853)**	**(1 011 715)**
Cash flow from financing activities				
Loans received	-	340	-	484
EU financing received	490 746		698 269	-
Loan repayments to credit institutions	(125 481)		(178 543)	-
Expenditures for paying back loans	(513 000)	(884 748)	(729 933)	(1 258 883)
Expenditures for redemption of asset that was hired	(180 764)	-	(257 204)	-
Paid out dividends	-	-	-	-
Net cash flow from financing activities	**(328 499)**	**(884 408)**	**(467 412)**	**(1 258 399)**
The result of the exchange rate fluctutions	9 479	(140)	13 487	(199)
Net cash flow of the year of account increase (+), decrease (-)	**78 264**	**(460 592)**	**73 873**	**(655 365)**
VI.Money and its equivalents balance at the beginning of the year of	20 181	480 774	28 715	684 080
VII. Money and its equivalents balance at the end of the year of account	98 445	20 181	140 075	28 715

The annex is an integral part of this financial statement

Board:

Jānis Bertrāns	Janis Mierkalns	Gundars Maurs	Gatis Zommers
Chairman of board	Vice-chairman	Member of board	Member of board

Statement on the changes in own capital

	Share capital	Share premium	Other reserves	Reserves from restimati on fixed assets	Retained earnings/los from the previous year	Retained earnings/los of the year of account	Currency fluctuations due to the reestimation of foreign currency	**Toatal own capital**
	LVL	LVL	LVL		LVL	LVL	LVL	LVL
December 31, 2008(Adjustments)*	**387 136**	**1 987**	**2 623 085**	**800 242**	**(66 905)**	**(184 527)**	**(120 056)**	**3 440 962**
Curency fluctuations due to recalculation							3 152	3 152
Distribution of profit of the year 2008					(184 527)	184 527		-
Disbursed dividends								-
Reserves from reestimati on fixed assets				2 250				2 250
Profit of the year of account,corrected*						123 899		123 899
December 31, 2009	**387 136**	**1 987**	**2 623 085**	**802 492**	**(251 432)**	**123 899**	**(116 904)**	**3 570 263**
Curency fluctuations due to recalculation					(6 074)		68 346	62 272
Reserves from reestimati on fixed assets	-	-						-
Distribution of the year 2009 profit	-	-			123 899	(123 899)		-
Disbursed dividends	-	-						-
Profit of the year of account,corrected	-	-	-			(237 843)		(237 843)
December 31, 2010	**387 136**	**1 987**	**2 623 085**	**802 492**	**(133 607)**	**(237 843)**	**(48 558)**	**3 394 692**

	Share capital	Share premium	Other reserves	Reserves from restimati on fixed assets	Retained earnings/los from the previous year	Retained earnings/los of the year of account	Currency fluctuations due to the reestimation of foreign currency	**Toatal own capital**
	EUR	EUR	EUR		EUR	EUR	EUR	EUR
December 31, 2008(Adjustments)*	**550 845**	**2 827**	**3 732 314**	**1 138 642**	**(95 197)**	**(262 558)**	**(170 824)**	**4 896 048**
Curency fluctuations due to recalculation	-	-	-		-	-	4 485	4 485
Distribution of profit of the year 2008	-	-	-	-	(262 558)	262 558	-	-
Disbursed dividends	-	-	-	-	-	-	-	-
Reserves from reestimati on fixed assets	-	-	-	3 201	-	-	-	3 201
Profit of the year of account,corrected	-	-	-	-	-	176 292	-	176 292
December 31, 2009	**550 845**	**2 827**	**3 732 314**	**1 141 843**	**(357 756)**	**176 292**	**(166 339)**	**5 080 027**
Curency fluctuations due to recalculation	-	-	-	-	(8 643)	-	97 248	88 605
Distribution of profit of the year 2009	-	-	-	-	-	-	-	-
Disbursed dividends	-	-	-	-	176 292	(176 292)	-	-
Reserves from reestimati on fixed assets	-	-	-	-	-	-	-	-
Profit of the year of account,corrected	-	-	-	-	-	(338 420)	-	(338 420)
December 31, 2010	**550 845**	**2 827**	**3 732 314**	**1 141 843**	**(190 106)**	**(338 420)**	**(69 092)**	**4 830 212**

*Adjustments are explained in Note 35.

Board:

Jānis Bertrāns Chairman of board	Janis Mierkalns Vice-chairman	Gundars Maurs Member of board	Gatis Zommers Member of board

Annex to the financial statement

1. Corporative information

Distributing risks between countries and fields of economic activity, at the end of 2005 and in 2006 JSC “Saldus mežrūpniecība” established new subsidiary companies in the Russian Federation, which main economic activity will be logging and production of sawn timber. In 2005, JSC “Saldus mežrūpniecība” purchased 100% shares of “Pakuļi Sports Centre” Ltd., which main activity is focused on sport and recreation with a sizeable immovable property, situated in a very favourable area.
As the result of the above mentioned activities JSC “Saldus mežrūpniecība” has prepared its year 2009 consolidated report, hereinafter Holding company.

2. Important accounting principles

In preparation of the holding company’s financial statement, there were used the following accounting principles:

Principles of preparing the financial statement

The holding company’s financial statement was prepared in compliance with the International Financial Reporting Standards (IFRS). The financial statement was prepared in compliance with the Principle of Historical Cost.

Currency and items used in the preparation of the financial statement

In financial statements as a monetary unit is used Latvian lat (Ls)- the monetary unit of the Republic of Latvia.

Consolidation

The consolidated financial statement includes the financial statements of the joint-stock company Saldus mežrūpniecība and its subsidiary companies Pakuļi Sports Centre ltd., ooo Saldus Les and ooo Saldus. The financial statements of the subsidiary companies were prepared in the same year as the financial statement of the holding’s parent company and using the same accounting policies. The consolidated financial statement includes all assets, liabilities, incomes, expenditures, profit, loss and cash flow of the joint-stock company Saldus mežrūpniecības and the financial statements of all its subsidiary companies over which the parent company keeps its control in the way as if the joint-stock company Saldus mežrūniecība and its subsidiary companies were one company. In preparation of the Holding’s financial statement is excluded the interrelated unrealized profit, mutual payments, mutually owned capital shares and other mutual deals. When purchasing its subsidiary companies the Holding uses a purchase method. The predominance of purchase costs over the real value of net actives obtained by the Holding is accounted as an intangible value.

Consolidation of foreign subsidiary companies

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

Changes in the accounting principles

In 2006, the Holding accepted the IFRS which were amended in 2004 and the application of which is mandatory for the financial years starting from January 1, 2005 or later. To apply these standards there were not made any significant changes in the Holding’s financial principles. Consolidation was carried out in 2006 for the first time as in 2005 the results of subsidiary companies did not significantly impact the parent company’s showings.

Application of the International Financial Rreporting Standards

- IAS 1 Presentation of financial statements
- IAS 2 Inventories
- IAS 7 Cash flow statements
- IAS 8 Accounting Policies, Changes in Accounting Estimates,and Errors
- IAS 10 Events After the Balance Sheet Date
- IAS 14 Segments Reporting
- IAS 16 Property,Plant, and Equipment
- IAS 18 Revenue
- IAS 19 Employee Benefits

- IAS 21 The Effects of Changes in Foreign Exchange Rates
- IAS 23 Borrowing Costs
- IAS 24 Related-Party Disclosures
- IAS 27 Consolidated and Separate Financial Statements
- IAS 32 Financial Instruments: Disclosure and Presentation
- IAS 33 Earning per Share
- IAS 36 Impairment of Assets
- IAS 37 Provisions, Contingent Liabilities, and Contingent assets
- IAS 38 Intangible assets
- IAS 39 Financial Instruments: Recognition and Measurement
- IAS 41 Agriculture
- IFRS 5 Noncurrent Assets Held for Sales and Discontinued Operations

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.

Transactions in foreign currencies

The Holding's accountancy is kept in Latvian lats (Ls) except for the ooo Saldus and 000 Saldus Ļes where are used RUB Russian roubles.

All transactions in foreign currencies have been re-estimated in Latvian lats in accordance with the official exchange rate, established by the Bank of Latvia on the day of corresponding transaction. Assets and liabilities which are shown in foreign currencies are re-estimated in Latvian lats in accordance with the exchange rate, established by the Bank of Latvia on the last day of accounting year. Differences arising from transactions in foreign currencies or from showing assets and liabilities in foreign currencies which differ from the initial exchange rates are shown in the profit or loss calculations in their net value. Re-estimation of the capital of the ooo Saldus and ooo Saldus Ļes into the currency used in the Holding is done by applying the exchange rate that is valid on the day of preparing the balance sheet and regarding to profit or loss posts- by applying the exchange rate in force at the end of the year of account. Corrections due to re-estimation are shown in a separate post of own capital.

	31.12.2010.	**31.12.2009.**
RUB/ LVL	0.0176	0.0164
EUR/ LVL	0,702804	0.702804

Intangible investments

Intangible investments are counted in their initial value which is being amortized during their effective time of use and is done by applying a linear method. If there are any events or the change of circumstances that identify that the balance value of intangible investments could be unrecoverable, the corresponding value of intangible investments is re-evaluated in order to determine the decrease of their value. Loss which occurs due to the decrease of value is acknowledged if the balance value of intangible investments exceeds the recoverable value.

The intangible investments include the licences of software used in the Holding, intangible value and other intangible investments which are related to the activity of parent and subsidiary companies of the Holding.

The licences of software which are used in the Holding are accounted in their purchase value by deducting their wear and tear.

Wear and tear is calculated for the whole period of their effective time by applying a linear method.

Expenditures related to the maintenance of the software are includes as expenditures in the profit/loss statement.

Capital assets

Capital assets are accounted in their initial value except for their wear and tear and the decrease of their value. For land the wear and tear is not calculated

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

Buildings, constructions	- 20 years (since 01.01.2008.)
Equipment and machinery	- 10 years
Forest equipment	- 5 years (since 01.01.2007.)
Timber processing lines	- 5 years (since 01.01.2007.)
Other capital assets	- 5 years
Computing and data gathering devices, software	- 5 years

Wear and tear of capital assets is calculated starting from the following month when they are put into operation or involved in economic activity. For each part of capital assets if their costs are significant to the initial cost of the corresponding capital asset wear and tear is calculated separately. The routine repairs of capital assets are included in the profit or loss calculations in the period when they occur.
The accounting value of capital assets is not longer estimated if they are alienated or if in the future there is not expected any outcome from their use. Profit, which arises due to the said circumstances (which is calculated as difference between net income and the balance of capital assets), must be included in the profit or loss calculation and in the period when it happened.

If there are events or circumstances which indicate that the balance value of capital assets could not be recovered, the value of corresponding capital assets is re-evaluated in order to determine the decrease of their value. If there are signs that the value can not be recovered and if the balance value of assets exceeds the recoverable amount, the asset is written off to its recoverable amount.

Unfinished construction shows the costs of capital assets and unfinished constructions and it is accounted in its initial value. The initial costs include construction costs and other direct expenditures. Wear and tear for unfinished constructions is not calculated until the appropriate assets are finished and put into operation.

Noncurrent assets held for sales

An entity should classify a noncurrent asset as held for sale if its carrying amont will be recovered principally trough a sale transaction rather than trough cuntnuing use.For this to be case, the asset must be available for immediate sale in its present condition – subject only to terms that are usual and customary for sales of such assets.
An entity should recignize a gain for any subsequent increase in fair value less costs to sell of an assetm but not in execess of the cumulative impairment loss that has beenpreviously recignizes.

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 2010 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 2010 and that is LVL 16.72 per m3. 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.

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.

Loan costs

Loan costs are shown in profit or loss calculation at the time when they occur in accordance with the Bookkeeping Standards Principle IAS 23.

Lease

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

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

Inventories

Unfinished products

Inventories are accounted in their lowest cost value and net selling value. Cost is calculated by applying the FIFO method- first in, first out. 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.

Share capital

Common shares are classified as own capital. Alls shares are registered shares and in non-material form.

Profit per share

Profit per share is calculated in the following way: profit of the year of account after taxes is divided with weighted-average number of shares in circulation in the period of account.

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.

Further loans will be shown in their depreciation value.

Profit or loss arisen due to depreciation is shown in the calculation of profit or loss as interest incomes and expenditures.

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.

Accruals and deferred liabilities

Accruals and deferred liabilities are accounted so that incomes and expenditures could be acknowledged at the time of rising.

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:

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

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

If it is not possible to reasonably estimate the outcome of deal, income is recognized only in the amount in which recognized expenditures could be recovered.

Sale of goods

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

Interest

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

Dividends
Incomes are recognized when shareholders have rights to receive them.

Income from lease

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

Taxes

Company income tax

The income tax of parent and subsidiary companies of the Holding is calculated by applying the 15% company income tax rate to the income earned in the corresponding period of taxation established by the legislative acts of the republic of Latvia.

Deferred company income tax

Deferred company income tax, which has arisen from short-term differences by including particular posts in tax declaration and in this financial statement, is calculated by applying the Liability Tax Allocation Method. The assets and liabilities of the deferred company income tax are established on the basis of tax rates which are to be applied when disappear short-term differences. Main short-term differences arise from different wear and tear rates applied by accounting and taxation needs as well as from particular accruals and tax losses which have been transferred on to the following five years. The assets of deferred company income tax in the financial statement are shown only in the case if their recoverability could be plausibly foreseen.

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.

Allowances

Parent and subsidiary companies of the Holding pay social insurance payments, health, pension and unemployment payments according to the state established rates which are in force in the year of account and on the basis of gross salary. Parent company makes payments into private pension plans as well as makes health insurance payments. Parent company does not have to follow additional legal or other liabilities or to make additional payments if the state funded pension schemes or private pension plans can not meet their liabilities towards employees. Social insurance and pension plan payments as well as health insurance payments are included in the expenditures in the same period when the according payment was made. Pension plan payments and cash flow are similar, and the employer does not account assets or liabilities by accruals method.

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.

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

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	logging		timber processing		Other and undistributable		Total	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
	LVL	LVL	LVL	LVL	LVL	LVL	LVL	LVL
Net turnover	9 182 273	5 042 949	10 386 999	4 147 822	90 952	94 259	19 660 224	9 285 030
Production costs of sold products	(7 841 247)	(4 094 996)	(10 463 445)	(3 750 368)	(297 654)	(357 621)	(18 602 346)	(8 202 985)
Selling costs	(763 257)	(832 395)	(38 300)	(38 373)	(39 839)	(134)	(841 396)	(870 902)
General administration costs	(7 283)	(27 048)	(38 557)	(3 808)	(184 621)	(137 333)	(230 461)	(168 189)
Other incomes/expenditures from economic activity	112 949	40 290	102 548	210 616	(284 609)	13 423	(69 112)	264 329
Segment profit	**683 435**	**128 800**	**(50 755)**	**565 889**	**(715 771)**	**(387 406)**	**(83 091)**	**307 283**
Financial expenditures, net	(64 094)	(75 549)	17 522	(28 916)	(96 513)	(130 614)	(143 085)	(235 079)
Company income tax (undistributable)					15 490	82 205	15 490	82 205
Other taxes	(1 312)	(611)	(16 918)	(21 205)	(8 927)	(8 694)	(27 157)	(30 510)
Net result	**618 029**	**52 640**	**(50 151)**	**515 768**	**(805 721)**	**(444 509)**	**(237 843)**	**123 899**
Segment assets	5 613 933	5 572 867	6 297 634	2 626 704	600 558	2 637 205	12 512 125	10 836 776
Segment liabilities	4 874 754	4 561 324	5 804 848	2 148 346	1 832 523	4 127 106	12 512 125	10 836 776

	logging		timber processing		Other		Total	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Net turnover	13 065 197	7 175 470	14 779 368	5 901 819	129 413	134 118	27 973 979	13 211 407
Production costs of sold products	(11 157 089)	(5 826 654)	(14 888 141)	(5 336 293)	(423 523)	(508 849)	(26 468 754)	(11 671 796)
Selling costs	(1 086 017)	(1 184 391)	(54 496)	(54 600)	(56 686)	(191)	(1 197 199)	(1 239 182)
General administration costs	(10 363)	(38 486)	(54 862)	(5 418)	(262 692)	(195 407)	(327 916)	(239 311)
Other incomes/expenditures from economic activity	160 712	57 328	145 913	299 680	(404 962)	19 099	(98 338)	376 106
Segment profit	**972 440**	**183 266**	**(72 218)**	**805 188**	**(1 018 450)**	**(551 229)**	**(118 228)**	**437 224**
Financial expenditures, net	(91 198)	(107 497)	24 932	(41 144)	(137 326)	(185 847)	(203 592)	(334 487)
Company income tax	-	-	-	-	22 040	116 967	22 040	116 967
Other taxes	(1 867)	(869)	(24 072)	(30 172)	(12 702)	(12 370)	(38 641)	(43 412)
Net result	**879 376**	**74 900**	**(71 358)**	**733 872**	**(1 146 438)**	**(632 479)**	**(338 420)**	**176 292**
Segment assets	7 987 907	7 929 475	8 960 726	3 737 463	854 517	3 752 405	17 803 150	15 419 343

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.

	2010 LVL	**2009** LVL	**2010** EUR	**2009** EUR
Income from sales, int. Al.	18 774 698	8 927 196	26 713 989	12 702 256
Latvia	18 763 744	8 819 058	26 698 402	12 548 389
Russia	10 954	107 272	15 586	152 634
the EU countries		866	0	1 232
Income from rendering of services, int. Al.	885 526	357 834	1 259 990	509 152
Latvia	885 754	353 286	1 260 314	502 681
Russia	2 772	4 548	3 944	6 471
	19 660 224	**9 285 030**	**27 973 979**	**13 211 407**

5. Production costs of sold products

	2010 LVL	**2009** LVL	**2010** EUR	**2009** EUR
Actual cost of sold products				
Wages	1 273 033	877 584	1 811 363	1 248 690
Wear and tear of capital assets	511 100	585 207	727 230	832 675
Purchasing costs of raw materials	7 815 418	3 624 064	11 120 338	5 156 579
Stem fee (purchase of cutting rights)	3 206 593	1 616 642	4 562 571	2 300 274
Electricity and heating costs	170 293	137 320	242 305	195 389
Production equipment maintenance costs	620 717		883 201	0
Production related contractors expenses	4 760 728	1 226 132	6 773 906	1 744 629
Doubtful debtors reserve	198 526		282 477	
Othger services received	45 938	136 036	65 364	193 562
	18 602 346	**8 202 985**	**26 468 754**	**11 671 796**

6. Selling costs

	2010 LVL	2009 LVL	2010 EUR	2009 EUR
Wages	2 352	3 913	1 653	2 750
Wear and tear of capital assets	10 786	4 854	7 580	3 411
Adevrtisement costs, market research, marketing	39 882	13 403	28 029	9 420
Transportation costs of goods	718 942	812 222	505 275	570 833
Purchasing costs of raw materials	6 813	3 534	4 788	2 484
Other production costs	62 621	16 087	44 010	11 306
Railway, customs clearance formalities		16 889	0	11 870
	841 396	**870 902**	**591 336**	**612 073**

7. General and administration costs

	2010 LVL	2009 LVL	2010 EUR	2009 EUR
Administration costs				
Wages	96 069	102 328	136 694	145 600
Office upkeep costs	37 963	15 801	54 016	22 483
Annual report costs	1 500	3 020	2 134	4 297
Banking services	10 277	15 877	14 623	22 591
Expense assosciated with maintenance of administration	33 799	3 182	48 092	4 528
Maintenance of the capital assets of administration	50 613	27 981	72 016	39 813
	230 221	**168 189**	**327 575**	**239 311**

8. Other income from economic activity

	2010 LVL	2009 LVL	2010 EUR	2009 EUR
Other income				
Income from excluding of long-term investments	100 334	251 177	142 762	357 393
Income from the services	273 695	101 208	389 433	144 006
Other income	32 511	79 833	46 259	113 592
Income of the next periods	16 241	16 241	23 109	23 109
	422 781	**448 459**	**601 563**	**638 100**

9. Other costs of economic activity

	2010 LVL	2009 LVL	2010 EUR	2009 EUR
Other expenditure				
Loss from excluding long-term investments	3 983	11 246	5 667	16 002
Expenditure due to exchange rate fluctuations			0	0
Accruals for insecure debtors	83 567	14 503	118 905	20 636
Other expenditure	404 583	158 381	575 670	225 356
Penalties			0	0
	492 133	**184 130**	**700 242**	**261 993**

10. Staff costs

	2010 LVL	2009 LVL	2010 EUR	2009 EUR
Average number of employees	147	111		
Staff costs in total				
Wages pursuant to differen legislation	14 465	12 339	20 582	17 557
Wages	1 094 192	491 473	1 556 895	699 303
Social security tax	262 797	187 682	373 926	267 047
	1 371 454	**691 494**	**1 951 403**	**983 907**
Int. Al.				
Wages of production workers				
Wages pursuant to differen legislation	2 352	10 064	3 347	14 320
Wages	1 028 904	410 791	1 463 998	584 503
Social security tax	247 047	168 312	351 516	239 486
	1 278 303	**589 167**	**1 818 861**	**838 309**
Administration wages				
Wages pursuant to different legislation	12 113	2 275	17 235	3 237
Wages	65 288	80 682	92 896	114 800
Social security tax	15 750	19 370	22 410	27 561
	93 151	**102 327**	**132 542**	**145 598**
Int. Al. For management				
Wages	15 650	16 151	22 268	22 981
Social security tax	3 770	3 892	5 364	5 538
	19 420	**20 043**	**27 632**	**28 519**

11. Financial income/ (expenditure), net

	2010 LVL	2009 LVL	2010 EUR	2009 EUR
Income				
Income from currency exchange	175302	102210	249 432	145 432
Other income	41	1 251	58	1 780
	175 343	**103 461**	**249 491**	**147 212**
Expense				
Currency exchange expense	145 369	134 026	206 841	190 702
Donations	9 100	8 000	12 948	11 383
Fines paid	8 222	6 541	11 699	9 307
Other expense	30 963	3 981	44 056	5 664
Financial lease interest recognised	118 346	169 375	168 391	240 999
Paid % for financial lease	6 428	16 617	9 146	23 644
	318 428	**338 540**	**453 082**	**481 699**
	-143 085	-235 079	-203 592	-334 487

12. Company income tax

	LVL	LVL	EUR	EUR
Current corporate income tax charge for the reporting year		35 084	0	49 920
Adjustment for corporate income tax calculated for 2009*		-35 084		-49 920
	0	**0**	**0**	**49 920**
Deferred corporate income tax	15 490	82 205	22 040	116 967
	15 490	**82 205**	**22 040**	**116 967**

*Adjustments are explained in note 34.

Deferred company income tax:

	2010 LVL	**2009** LVL	**2010** EUR	**2009** EUR
Liabilities of the deferred company income tax				
The residual value of capital assets in accounting (excluding the value of land, advance payments and unfinished construction)	2 834 400	2 938 386	4 032 988	4 180 947
Residual value of capital assets needed for taxes	1 859 430	1 847 310	2 645 731	2 628 485
Tax losses not covered	263 123	319 928	374 390	455 217
Accruals for holidays	119 527	75 561	170 072	107 514
Temporary difference	592 320	695 587	842 795	989 731
Liabilities of deferred tax	***88 848***	***104 338***	***126 419***	***148 460***

To calculate the rate of deferred tax 15 % rate is applicable.

13. Other taxes

	2010 LVL	**2009** LVL	**2010** EUR	**2009** EUR
Real estate tax	27 157	30 510	38 641	43 412
	27 157	**30 510**	**38 641**	**43 412**

14. Intangible investments

		Software	Intangible value	Advance payments for intangible investments	**Total**
		LVL	LVL	LVL	LVL
Initial value 31.12.2009.		79 498	132 000	-	211 498
	Purchase	768		-	768
2009	Decrease of value		(109 166)	-	(109 166)
					-
Initial value 31.12.2010.		80 266	22 834	-	103 100
Accured deprication 31.12.2009.		33 339			33 339
	Deprication	12 725			12 725
2009	Decrease of value				-
					-
Accured deprication 31.12.2019.		46 064	-	-	46 064
Residual value 31.12.2009.		**46 159**	**132 000**	**-**	**178 159**
Residual value 31.12.2010.		**34 202**	**22 834**	**-**	**57 036**
Deprication rate (by the linear method)		5 years			

		Software	Intangible value	Advance payments for intangible investments	**Total**
		EUR	EUR	EUR	EUR
Initial value 31.12.2009.		113 115	187 819	-	300 935
	Purchase	1 093	-	-	1 093
2009	Decrease of value	-	(155 329)	-	(155 329)
		-	-	-	-
Initial value 31.12.2010.		114 208	32 490	-	146 698
Accured deprication 31.12.2009.		47 437	-	-	47 437
	Deprication	18 106	-	-	18 106
2009	Decrease of value	-	-	-	-
		-	-	-	-
Accured deprication 31.12.2019.		65 543	-	-	65 543
Residual value 31.12.2009.		**65 678**	**187 819**	**-**	**253 497**
Residual value 31.12.2010.		**48 665**	**32 490**	**-**	**81 155**
Deprication rate (by the linear method)		5 gadi			

Advance payments for intangible investments are due because of the development of accounting program. Decrease is written off accured costs due for the development of accounting program.

15. Capital assets

		Land, buildings and systems	Equipment and machinery	Other capital assets	Unfinished construction	Advance payment for fixed assets	**Total, except for advance payments for capital assets**
		LVL	LVL	LVL	LVL		LVL
Accounting value 31.12.2009		**3 503 580**	**3 023 810**	**77 311**	**1 398 696**	**29 728**	**8 033 125**
2010	Purchase	68 901	465 335	10 156	299 581	1 376 082	2 220 055
	Liquidity	(90 028)	(84 918)	(2 340)			(177 286)
	Reconstruction*						-
	Reshuffle						-
Accounting value 31.12.2010		**3 482 453**	**3 404 227**	**85 127**	**1 698 277**		**10 075 894**
Accrued wear and tear 31.12.2009.		**566 985**	**1 703 005**	**60 079**	**240 022**		**2 570 091**
2010	Wear and tear	114 383	498 674	8 906			621 963
	Wear and tear of liquid assets	(34 125)	(33 598)	(2 326)			(70 049)
	Reshuffles						-
Accrued wear and tear 31.12.2010		**647 243**	**2 168 081**	**66 659**	**240 022**		**3 122 005**
Residual value 31.12.2009.		**2 936 595**	**1 320 805**	**17 232**	**1 158 674**		**5 463 034**
Residual value 31.12.2010		**2 835 210**	**1 236 146**	**18 468**	**1 458 255**		**6 953 889**
Rate of wear and tear (linear method)		10-20 years	4-10 years	3-5 years			
		EUR	EUR	EUR	EUR		EUR
Accounting value 31.12.2009		**4 985 145**	**4 302 494**	**110 004**	**1 990 165**	**42 299**	**11 387 808**
2010	Purchase	98 037	662 112	14 451	426 265	1 957 988	1 200 865
	Liquidity	(128 098)	(120 827)	(3 330)	-	-	(252 255)
	Reconstruction*	-	-	-	-	-	-
	Put into operation	-	-	-	-	-	-
Accounting value 31.12.2010		**4 955 084**	**4 843 779**	**121 125**	**2 416 430**		**12 336 418**
Accrued wear and tear 31.12.2009.		**806 747**	**2 423 158**	**85 485**	**341 521**		**3 656 909**
2010	Wear and tear	162 752	709 549	12 672	-	-	884 974
	Wear and tear of liquid assets	(48 556)	(47 806)	(3 310)	-	-	(99 669)
	Reshuffles	-	-	-	-	-	-
Accrued wear and tear 31.12.2010		**920 944**	**3 084 901**	**94 847**	**341 521**	**-**	**4 442 214**
Residual value 31.12.2009.		**4 178 398**	**1 879 336**	**24 519**	**1 648 645**	**42 299**	**7 730 899**
Residual value 31.12.2010		**4 034 140**	**1 758 877**	**26 278**	**2 074 910**	**-**	**7 894 204**
Rate of wear and tear (linear method)		10-20 years	4-10 years	3-5 years			

No cadastral value has been set for buildings owned by the company.

Cadastral value of lands at the balance date amounts to 497 238 Ls (707 506 EUR).

16. Unfinished construction and advance payments for capital assets

	2009 LVL	2008 LVL	2009 EUR	2008 EUR
Unfinished construction in Russia	543 342	444 460	773 106	632 410
Unfinished construction in "Pakuļu sporta bāze"	78 872	78 872	112 225	112 225
Unfinished construction in AS Saldus mežrūpniecība"	836 041	635 342	1 189 579	904 010
in total unfinished constructio objects:	***1 458 255***	***1 158 674***	***2 074 910***	***1 648 645***
Advance payments for AS "Saldus mežrūpniecība"	1 405 810	29 728	2 000 287	42 299

No cadastral value has been set for buildings owned by the company.

Cadastral value of lands at the balance date amounts to 497 238 Ls (707 506 EUR).

17. Reserves

	2010 LVL	2009 LVL	2010 EUR	2009 EUR
Materials, spare parts, inventory	245 536	251 463	349 366	357 800
Biologicals assets	337 995	298 760	480 924	425 097
Round timber (in forests,at rads,and in workshops)	2 326 223	521 859	3 309 917	742 538
Round timber at rads and in workshops	517 420	561 353	736 222	798 733
in total unfinished construction	*2 843 643*	*1 083 212*	*4 046 139*	*1 541 272*
Finished production	191 209	284 930	272 066	405 419
Advance payments for goods	123 085	1 482 562	175 134	2 109 496

In the Holding on 31.12.2010. was carried out inventory and non-marketable stocks were not established.

18. Noncurrent assets held for sales

	2010 LVL	2009 LVL	2010 EUR	2009 EUR
Noncurrent assets held for sales	210 197	127 090	299 083	180 833
	210 197	**127 090**	**299 083**	**180 833**

19. Trade receivables

	2010	2009	2010	2009
	LVL	LVL	EUR	EUR
Accounting value of trade receivables	423 437	730 362	602 497	1 039 212
Doubtful debt reserve (-)	143 486	59 919	204 162	85 257
Accounting value	279 951	670 443	806 659	1 124 469

Residuals of debtors debts in the balance sheet are shown in their net value except for the reserves for doubtful debts in the amount of 83568LVL (118907 EUR) which were established from the accounting value of these debts. Reserves for insecure debts were made on the bases of estimation of the financial situation and economic activity of some of the customers by taking into consideration the debt repayment in compliance with the concluded agreement and possibility of recovery. Reserves are made for the debtors who 2 years in turn have not responded to collation acts and can not be found in their given addresses and for the debtors against whom there has been started the procedure of insolvency (reference from the CR).

20. Other debtors

	LVL	LVL	EUR	EUR
Surplus VAT payment	21 207	9 641	30 175	13 718
VAT paid in advance on boarder	470	470	669	669
Surplus URN payment		33	0	47
Advance payment to the UIN*	115 845		164 833	0
Guarantee payments made	2 620		3 728	0
Loans to employees	1 752	1 752	2 493	2 493
Other debtors	88154	180 334	125 432	256 592
In total other debtors	**230 048**	**192 230**	**327 329**	**273 519**

*Adjustments are explained in Note 35.

21. Expenditures of the next periods

	2010	2009	2010	2009
	LVL	LVL	EUR	EUR
Insurance	23 213	6 234	33 029	8 870
Licence fees	457	551	650	784
Other	280423	232996	399 006	331 523
In total expenditure of the next periods	**304 093**	**239 781**	**432 685**	**341 178**

22. Money and its equivalents

	2010	2009	2010	2009
	LVL	LVL	EUR	EUR
Money in accounts	98 375	19 119	139 975	27 204
Money in cash	70	1 021	100	1 453
	0	41	0	58
In total other debtors	**98 445**	**20 181**	**140 075**	**28 715**

23. Share capital, reserves and profit per share

Changes in share capital and distribution of shares among shareholders are shown in the following way:

	%	2009 LVL	2009 EUR
Shares of closed issue			
LTD SEZ Laskana	26,00	100 655	143 219
Saldus mežrūpniecības uzņēmums ltd.	26,99	104 489	148 674
Physical persons of the Republic of Latvia	2,99	11 577	16 473
SIA JL Lindex	15,99	61 915	88 097
Shares of public offering *	28,03	*108 500*	154 382
Total:	**100**	**387 136**	**550 845**
2009.12.31		387136	550 845
2010.12.31		387136	550 845

*Shares of public offering consist of 108 500 shares the holder and controller of which is the joint-stock company Latvian Central Depository, consequently these shares are available in the market.

All shares are signed, issued and fully paid.

Profit per share is calculated in the following way: profit of the year of account which makes 374 155 Ls (in 2006- 235 733 Ls) is divided with the weighted-average number of shares in circulation in the period of account which is 387 136 (in 2006- 387 136).

A nominal value of each share is 1 Latvian lat.

In compliance with the statutes, the profit which remains after dividends are paid and included in undividable reserves is included in other reserves and used for the further development of the company.

	2010 LVL	2009 LVL	2010 EUR	2009 EUR
Profit of the period of account	-238 310	49 813	-339 085	70 878
Number of shares 31.12.2008	387 136	387 136	550 845	550 845
Basic profit per share per year	***-0,62***	***0,13***	***-0,88***	***0,18***

24. Loans from credit institutions

	% rate in force	The repayment term	2010 LVL	2009 LVL	2010 EUR	2009 EUR
Long-term:						
A/s Swedbank	3 mon.Euribor + %	1 year or more	327 178	922 598	465 532	1 312 739
A/s Nordea banka	3 mon.Euribor + %	1 year or more	820 310	918 088	1 167 196	1 306 322
			1 147 488	**1 840 686**	**1 632 728**	**2 619 060**
Short-term:						
A/s Swedbanka creditline	3 mon.Euribor + %	up to 12 mon.	12 634	1 638 462	17 977	2 331 321
A/s Nordea banka creditline	The Base rate EONIA +	up to 12 mon.	2 112 820		3 006 273	
A/s Nordea banka	3 mon.Euribor + %	up to 12 mon.	130 370	114 074	185 500	162 313
			2 255 824	**1 752 536**	**3 209 749**	**2 493 634**

24. Liabilities of financial lease and other loans

	Spēkā esošā % likme	2010 LVL	2009 LVL	2010 EUR	2009 EUR
Long-term:					
SIA Hanza līzings	3 mon. Euribor+%	77 145	204 568	109 767	291 074
SIA Nordea Līzings	Fixed rate	6 906	17 683	9 826	25 161
		84 051	**222 251**	**119 594**	**316 235**
Short-term:					
SIA Hanza līzings	3 mon. Euribor+%	127 423	170 511	181 307	242 615
SIA Nordea Līzings	Fixed rate	10 776	10 252	15 333	14 587
		138 199	**180 763**	**196 639**	**257 203**

25. Other creditors

	2010 LVL	2009 LVL	2010 EUR	2009 EUR
Other creditors	**925 359**	**1 409 948**	**1 316 667**	**2 006 175**

26. Taxes payable

	2008.12.31	Paid in 2009	Calculated in 2009	Fine	Taxe rocognized as other taxes	2009.12.31
	LVL	LVL	LVL			LVL
Company Income Tax(Adjustmens)	22 204	85 084		(1 538)	10 095	115 845
VAT	12 621	706 270	(444 768)	(9)	(252 907)	21 207
VATon the boarder	470					470
VATon timber	(2)	7 280 920	(7 280 920)			(2)
Peoples Income Tax	(15 741)	124 613	(239 748)	(4 096)	71 303	(63 669)
Compulsory Payments of Social Insurance Tax	(26 199)	174 145	(348 647)	(629)	171 509	(29 821)
Natural Resources Tax	-	-	-			-
Property Tax	(18)	14 400	(14 379)	(3)		-
Risk due	32	395	(443)			(16)
Taxes pursuant to other legislation	4 284					4 284
	EUR	EUR	EUR			EUR
Company Income Tax(Adjustmens)	31 593	121 064	-	(2 188)	14 364	164 833
VAT	17 958	1 004 932	(632 848)	(13)	(359 854)	30 175
VATon the boarder	669	-	-	-	-	669
VATon timber	(3)	10 359 816	(10 359 816)	-	-	(3)
Peoples Income Tax	(22 397)	177 308	(341 131)	(5 828)	101 455	(90 593)
Compulsory Payments of Social Insurance Tax	(37 278)	247 786	(496 080)	(895)	244 035	(42 431)
Natural Resources Tax	-	-	-	-	-	-
Property Tax	(26)	20 489	(20 459)	(4)	-	-
Risk due	46	562	(630)	-	-	(23)
Taxes pursuant to other legislation	6 096	-	-	-	-	6 096

*Adjustments are explained in Note 35.

In compliance with the law on taxes in force in the Republic of Latvia, Company Income Tax is paid in advance. Consequently, after a year of account, when the due tax is calculated, the due tax or surplus payment is established.

27. Other liabilities

	2010 LVL	2009 LVL	2010 EUR	2009 EUR
Salary payments	58 829	57 225	83 706	81 424
Contributions to private pension funds	2 138	2 138	3 042	3 042
Payments for deductions from wages	490	525	697	747
Advance payments to empyees	*6 845*	*14 571*	9 740	20 733
	68 302	**74 459**	**97 185**	**105 946**

28. Accrued liabilities

	2010 LVL	2009 LVL	2010 EUR	2009 EUR
Accrued for holidays	119 527	75 561	170 072	107 514
	119 527	**75 561**	**170 072**	**107 514**

29. Accrued liabilities

	2010 LVL	2009 LVL	2010 EUR	2009 EUR
Payables to suppliers	17 041	12 566	24 247	17 880

30. Incomes from the next periods

	2010 LVL	2009 LVL	2010 EUR	2009 EUR
Long-term:				
Project No. 124000041	*34 693*	*45 946*	49 364	65 375
Project No.04/415034/0002/023	*14 954*	*19 942*	21 278	28 375
Project No.L-APV-10-0015	*490 746*		698 269	0
	540 393	**65 888**	**768 910**	**93 750**
Short-term				
Project No. 124000041	*11 253*	*11 253*	16 012	16 012
Project No.04/415034/0002/023	*4 988*	*4 988*	7 097	7 097
	16 241	***16 241***	***23 109***	***23 109***

31. Expenditures due to the environment protection

The basic economic activity of the Holding is production of timber. As a wrapping material is used polyethylene plastic. In order to secure qualitative and environmentally friendly economic activity and to reduce ecological and financial risks related to financial losses and significant loss of funds arising from penalty fee payments, there has been concluded agreement with Green Belt ltd. on collection, transportation, recycling and regeneration of used wrapping material so that it corresponds with the requirements of normative acts, planning and organization of the said work. During maintenance work various oil filters and oils are replaced. They are collected in special places and then handed over to BAO ltd. on which there has been concluded a special agreement on collection of hazardous waste. In this way the Holding meets all environment protection requirements determined by appropriate acts and regulations so that there could be reduced impact of hazardous substances on the environment and significantly decreased possible losses, int.al. unplanned taxes and decreased ecological risks in all objects.

32. Transactions with associated persons

Subsidiary	type of transaction		Income from subsidiaries LVL	Income from subsidiaries EUR	Payments to subsidiaries LVL	Payments to subsidiaries EUR	Debts of subsidiaries LVL	Debts of subsidiaries EUR	Credits to subsidiaries LVL	0,702804 Credits to subsidiaries EUR
OOO Saldus	debt and sales of ready production	2009	-	-	3 616	5 145	107 247	152 599	-	-
		2010	-	-	15 800	22 481			-	-
OOO DOK Nr.3	debt and sales of ready production	2009	-	-	45 076	64 137	693 961	987 418	-	-
		2010	-	-	95 226	135 494	-	-	-	-
SIA Pakuļu sporta bāze	debt and sales of ready production	2009	9 633	13 707	13 424	19 101	99 899	142 143	-	-
		2010	290	413	15 058	21 426	124 881	177 690	-	-
SIA SEZ Laskana	debt, dividends and sales of ready production	2009	-	-	-	-	-	-	-	-
		2010	-	-	-	-	-	-	-	-
SIA Saldus MRU	debt, dividends and sales of ready production	2009	25 252	35 930	-	-	21 850	31 090	26 076	37 103
		2010	66 298	94 334	-	-	1 428	2 032	126 406	179 860
		2009	34 885	49 637	62 116	88 383	922 957	1 313 249	26 076	37 103
		2010	66 588	94 746	126 084	179 401	126 309	179 722	126 406	179 860

33. Financial instruments

The main financial instruments of the Holding are granted and received short-term loans, money, short-term deposits and financial lease. The main objective of these financial instruments is to secure the financing of Holding's economic activity. Also, the holding comes in touch with some other financial instruments, for example, debts of buyers and customers and debts of other debtors, debts to suppliers and constructors and other debtors which directly arise from its economic activity.

Financial risks

The main financial risks related to the Holding's financial instruments are: credit risk, currency risk, interest risk and liquidity risk.

Credit risk

The parent company of the Holding and the Holding itself is subjected to credit risks which arise from the debts of buyers and customers, short and long-term loans.

The Holding controls its credit risks by constantly estimating the history of how debtors pay back their debts and by establishing crediting conditions for each customer separately. Besides, the company constantly monitors the reminders of debtors' debts in order to decrease the possible of arising of unrecoverable debts. The Holding does not posses a significant concentration of credit risks towards a particular partner or similar transactions with a group of partners.

Foreign currency risk

To the financial assets which are under foreign currency risk belong money and its equivalents, debts of buyers and customers, advance payments for construction work, short-term loans, debts to suppliers and contractors, long-term debts to financial institutions and leasing companies.

The holding does not use any financial instruments to administrate currency fluctuations risks.

Interest risk

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

The management of the Holding think that the financial assets and liabilities of the Holding on December 31, 2009 were not subjected to any important interest rate risks as the deviance from the real value of particular financial assets and liabilities was not significant.

Liquidity risk

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

Real value

All financial assets and liabilities of the Holding which are not shown in their real value- money, debtors, other debtors, received and granted loans, debts to suppliers and contractors and the balance value of other debts correspond with their real value.

34. Events after the year of account

Except from what was said in the management statement in the period from the last day of the year of account until the date of signing this financial statement there have not occurred any events due to which there should have been done any amendments or corrections in this financial statement.

35. Correction of errors/ changes in accounting policies

In 2010 the Company has discovered an error made in calculation of income tax for 2008 and 2009. Adjustment of error resulted in retrospective changes by adjusting balance sheet position of *Corporate income tax*, incl., position of *Profit brought forward.*

Impact of correction of errors made:

Balance sheet Assets/ Liabilities	**31.12.2009 adjusted**	**Impact of retrospective adjustment on**			**31.12.2009 Pre-adjusted**
		Year 2009	**As at 2008**	**Net impact**	
Tax liabilities for CIT decrease and increase of profit	22 204	35 084	34 549	69 633	-47 429
Atliktā nodokļa saistību smazinājums un atliktā nodokļa ieņēmumu palielinājums	104 338	39 002		39 002	143 340
Net impact	**126 542**	**74 086**	**34 549**	**108 635**	**95 911**
Non-allocated profit					
Non-allocated profit of previous years	61 949	74 086	35 549	108 635	-46 686
Net impact of correction of error on non-allocated profit as at December 31, 2009		**74 086**	**35 549**	**108 635**	

Auditor's statement