

# **JOINT-STOCK COMPANY „SALDUS MEŽRŪPNIECĪBA” AND ITS SUBSIDIARY COMPANIES**

**(SINGLE REGISTRATION NUMBER 40003020121)**

## **ANNUAL REPORT FOR THE YEAR 2009**

**DRAWN-UP IN COMPLIANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS**

**AND INDEPENDENT AUDITORS' STATEMENT**

**Saldus, 2010**

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## Information about the Company

Name of the Company	<b>Saldus Timber Wood Industry (Saldus mežrūpniecība)</b>
Legal status of the Company	Joint Stock Company
Registration number, place, and date	40003020124 August 26, 1991, 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 Bertrāns ( <i>Jānis Bertrāns</i> ) – Chancellor of the Board Janis Merkals ( <i>Jānis Mierkalns</i> ) – member of the Board Gundars Maurs ( <i>Gundars Maurs</i> ) – member of the Board Gatis Zommers ( <i>Gatis Zommers</i> ) – member of the Board
Members of the Council: name, surname, position	Uldis Melrkals ( <i>Uldis Mierkalns</i> ) – Chairman of the Council Lolita Burkovska ( <i>Lolita Burkovska</i> ) – Deputy Chairman of the Board Maris Elleris ( <i>Māris Elleris</i> ) – member of the Council Janis Leimanis ( <i>Jānis Leimanis</i> ) – member of the Council Ainis Dabols ( <i>Ainis Dābols</i> ) – member of the Council
Subsidiary enterprise	
1. Name of the company	<i>Pukuli Sports Premises (Pakuļu sporta bāze) (100%)</i>
Legal status of the company	Limited Liability Company
NUMBER AND DATE OF REGISTRATION IN THE COMMERCIAL REGISTER	48503009010 November 21, 2002
Address	“Mežvidi”, Novadnieku pag. Saldus rajons LV 3801
The main areas of activities of the company	Hunting and related services. Organisation of training and competitive shooting using hunting weapons.
Owner of the company	Saldus Timber Wood Industry(Saldus mežrūpniecība), JSC – 100%
Reporting year	January 1 – December 31, 2009
2. Name of the company	Woodworking Centre No.3 ( <i>Деревообрабатывающий комбинат № 3</i> )
Legal status of the company	(100%) Limited Liability Company
Registration number, date, place	(ООО - Общество с ограниченной ответственностью) 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, 2009
3. Name of the company	Saldus ( <i>Салдус</i> ) (100%)
Legal status of the company	Limited Liability Company
Registration number, date, place	(ООО - Общество с ограниченной ответственностью) 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, 2009
Name and address of the Auditor	(Translated from Latvian) Ginta Jaunzeme ( <i>Ginta Jaunzeme</i> ) Sworn Auditor (Certificate of Latvian Sworn Auditor No.16) License of Commercial Company No.39

## **Management announcement**

### ***To Consolidated report of economic activity of Year 2009***

#### **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 2009, 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 2009 from economic activities after tax deductions is 49 813 LVL, whereby Net turnover is 9 285 030 LVL, which comprise profit per emitted share 0,13 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 2010**

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.

In 2010, it is planned to increase the production and realization volumes in logging by 40 %, i.e. up to 350 000 m<sup>3</sup> yearly. it is planned to increase the production and realization volumes for sawn timber up to 150 000 m<sup>3</sup> yearly. It is envisaged that profit indicators will remain in the level of 2009.

#### **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 30, 2010

Board:

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Jānis Bertrāns  
Chairman of board

Janis Mierkalns  
Vice-chairman

Gundars Maurs  
Member of board

Gatis Zommers  
Member of board

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**Consolidated profit or loss calculation**

	Note	2009 LVL	2008 LVL	2009 EUR	2008 EUR
Net turnover	4	9 285 030	9 757 967	13 211 407	13 884 336
Production costs of the sold production	5	(8 202 985)	(9 257 565)	(11 671 796)	(13 172 328)
<b>Gross profit</b>		<b>1 082 045</b>	<b>500 402</b>	<b>1 539 611</b>	<b>712 008</b>
Selling costs	6	(870 902)	(204 597)	(1 239 182)	(291 115)
General administration costs	7	(168 189)	(334 960)	(239 311)	(476 605)
Other income from company's economic activity	8	474 864	431 234	675 671	613 591
Other expenditures from company's economic activity	9	(210 535)	(385 289)	(299 564)	(548 217)
<b>Profit or loss from economic activity</b>		<b>307 283</b>	<b>6 790</b>	<b>437 224</b>	<b>9 661</b>
Net profit from participation in the capital of subsidiary and associated companies					-
Other interest income and the like income	11	-	23	-	33
Other interest payments and the like payments	11	(235 079)	(273 032)	(334 487)	(388 490)
<b>Profit or loss before extraordinary items and taxes</b>		<b>72 204</b>	<b>(266 219)</b>	<b>102 737</b>	<b>(378 796)</b>
Extraordinary income					
Extraordinary expenditures					
<b>Profit or loss before taxes</b>		<b>72 204</b>	<b>(266 219)</b>	<b>102 737</b>	<b>(378 796)</b>
Company's income tax	12	(35 084)	(2 277)	(49 920)	(3 240)
Company's deferred income tax	12	43 203	60 248	61 472	85 725
Other taxes		(30 510)	(10 828)	(43 412)	(15 407)
<b>Profit or (loss)</b>		<b>49 813</b>	<b>-219 076</b>	<b>70 878</b>	<b>-311 717</b>
<b>Profit/ (loss) per share</b>					
<b>LVL per share / EUR per share</b>		<b>0.13</b>	<b>(0.57)</b>	<b>0.18</b>	<b>(0.81)</b>

The annex on pages 11-30 is an integral part of this financial statement

Board :

Jānis Bertrāns  
Chairman of board

Janis Mierkalns  
Vice-chairman

Gundars Maurs  
Member of board

Gatis Zommers  
Member of board

**Consolidated balance sheet**

	Note	31.12.2009 LVL	31.12.2008 LVL	31.12.2009 EUR	31.12.2008 EUR
<b>LONG-TERM INVESTMENTS</b>					
<b>Intangible investments</b>					
Concessions, patents, licences, trademarks and the like		46 159	34 852	65 678	49 590
Company's intangible value		132 000	132 000	187 819	187 819
Advance payments for intangible investments		-	-	-	-
<b>TOTAL</b>	<b>13</b>	<b>178 159</b>	<b>166 852</b>	<b>253 497</b>	<b>237 409</b>
<b>Fixed assets</b>					
Land, premises and buildings		2 936 595	3 010 982	4 178 398	4 284 241
Biological assets		553 296	600 488	787 269	854 417
Equipment and machinery		1 320 805	1 821 994	1 879 336	2 592 464
Other fixed assets		17 232	31 986	24 519	45 512
Unfinished constructions		1 158 674	523 520	1 648 645	744 902
Advance payments for fixed assets		29 728	-	42 299	-
<b>TOTAL</b>	<b>14</b>	<b>6 016 330</b>	<b>5 988 970</b>	<b>8 560 466</b>	<b>8 521 537</b>
<b>Long-term financial investments</b>					
Participation in the capital of related companies		-	-	-	-
Loans to the related companies		-	-	-	-
<b>TOTAL</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL LONG-TERM INVESTMENTS</b>		<b>6 194 489</b>	<b>6 155 822</b>	<b>8 813 964</b>	<b>8 758 946</b>
<b>CURRENT ASSETS</b>					
<b>Stocks</b>					
Raw materials, direct materials, auxiliary materials		251 463	274 099	357 800	390 008
Biological assets		298 760	328 858	425 097	467 923
Unfinished production		1 300 105	971 483	1 849 883	1 382 296
Finished production and goods for sale		284 930	583 791	405 419	830 660
Advance payments for goods		1 383 048	912 478	1 967 900	1 298 339
<b>TOATL</b>	<b>15</b>	<b>3 518 306</b>	<b>3 070 709</b>	<b>5 006 098</b>	<b>4 369 225</b>
<b>Debtors</b>					
Debts of buyers and customers	16	670 443	782 859	953 954	1 113 908
Accrued income		1 141	31 394	1 623	44 670
Other debtors	17	122 702	179 337	174 589	255 174
Expenditures of the next periods	18	239 881	118 322	341 320	168 357
<b>TOTAL</b>		<b>1 034 167</b>	<b>1 111 912</b>	<b>1 471 487</b>	<b>1 582 108</b>
<b>Money and its equivalents</b>	<b>19</b>	<b>20 181</b>	<b>480 774</b>	<b>28 715</b>	<b>684 080</b>
<b>TOTAL CURRENT ASSETS</b>		<b>4 572 654</b>	<b>4 663 395</b>	<b>6 506 300</b>	<b>6 635 413</b>
<b>TOTAL ASSETS</b>		<b>10 767 143</b>	<b>10 819 217</b>	<b>15 320 264</b>	<b>15 394 359</b>

The annex on pages 11-30 is an integral part of this financial statement

Board:

Jānis Bertrāns  
Chairman of board

Janis Mierkalns  
Vice-chairman

Gundars Maurs  
Member of board

Gatis Zommers  
Member of board

## Consolidate balance sheet (continuation)

Shareholders'equity and liabilities	Note	31.12.2009. LVL	31.12.2008. LVL	31.12.2009. EUR	31.12.2008. EUR
<b>Shareholders'equity</b>					
Share capital	20	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	800 242	1 141 843	1 138 642
Adjustment reserve of foreign currency		(116 904)	(120 061)	(166 339)	(170 831)
Other reserves		2 623 085	2 623 085	3 732 314	3 732 314
Retained earnings from the previos year		(285 981)	(66 905)	(406 914)	(95 197)
Retained earnings from the year of accunt		49 813	(219 076)	70 878	(311 717)
<b>TOTAL</b>		<b>3 461 628</b>	<b>3 406 408</b>	<b>4 925 453</b>	<b>4 846 882</b>
<b>Total shareholders'equity</b>		<b>3 461 628</b>	<b>3 406 408</b>	<b>4 925 453</b>	<b>4 846 882</b>
<b>Liabilities</b>					
<b>Long-term liabilities</b>					
Deferred company's income tax		143 340	186 543	203 954	265 427
Long-term loans from credit institutions	21	1 840 686	2 115 960	2 619 060	3 010 740
Long-term part of financial lease liabilities	22	244 161	443 495	347 410	631 037
Other creditors		1 388 038	1 388 038	1 975 000	1 975 000
Long-term part of incomes from next periods	26	65 888	82 129	93 750	116 859
<b>TOTAL</b>		<b>3 682 113</b>	<b>4 216 165</b>	<b>5 239 175</b>	<b>5 999 062</b>
<b>Short-term liabilities</b>					
Short-term loans from credit institutions	21	1 752 536	2 085 763	2 493 634	2 967 773
Short-term part of financial lease	22	189 670	236 319	269 876	336 252
Advance payments received from buyers		74 805	225 659	106 438	321 084
Debts to suppliers and contractors		1 355 362	478 444	1 928 506	680 764
Accured liabilities	25	75 561	48 077	107 514	68 407
Taxes payable	23	93 675	48 354	133 288	68 802
Other creditors	24	65 552	57 787	93 272	82 223
Incomes from the next periods short-term part	26	16241	16241	23 109	23 109
Unpaid dividends from the previous years		-	-	-	-
<b>TOTAL</b>		<b>3 623 402</b>	<b>3 196 644</b>	<b>5 155 637</b>	<b>4 548 415</b>
<b>Total liabilities</b>		<b>7 305 515</b>	<b>7 412 809</b>	<b>10 394 811</b>	<b>10 547 477</b>
<b>Total shareholders'equity and liabilities</b>		<b>10 767 143</b>	<b>10 819 217</b>	<b>15 320 264</b>	<b>15 394 359</b>

The annex on pages 11-30 is an integral part of this financial statement

Board:

Jānis Bertrāns  
Chairman of board

Janis Mierkalns  
Vice-chairman

Gundars Maurs  
Member of board

Gatis Zommers  
Member of board

**Consolidated cash flow statement**

<b>I. Cash flow from basic activity</b>	<b>31.12.2009</b>	<b>31.12.2008</b>	<b>31.12.2009</b>	<b>31.12.2008</b>
	LVL	LVL	EUR	EUR
<b>1. Profit (+) or loss (-) before extraordinary items and taxes:</b>	<b>72 204</b>	<b>(266 218)</b>	<b>102 737</b>	<b>(378 794)</b>
a) wear and tear of fixed assets and intangible investments (+)	643 790	653 303	916 031	929 566
b) elimination of fixed assets and intangible investments	49 787	155 201	70 841	220 831
c) formation of accruals (except for the accruals for insecure debts)	27 484	13 118	39 106	18 665
d) profit (-) or loss (+) from fluctuations of exchange rate	11 140	(9 154)	15 851	(13 025)
e) income from the acknowledgement of financing	(16 241)	(16 241)	(23 109)	(23 109)
f) other interest income and the like income	(154 839)	(20)	(220 316)	(28)
h) interest payments and the like expenditures	217 412	236 462	309 349	336 455
<b>2. Profit or loss before the corrections of the impact of balance</b>	<b>850 737</b>	<b>766 452</b>	<b>1 210 490</b>	<b>1 090 562</b>
a) debitoru parādu atlikumu pieaugums (-) vai samazinājums (+)	53 861	27 367	76 637	38 940
b) increase (+) or decrease (-) of the reserves of accruals	(427 032)	(1 529 630)	(607 612)	(2 176 467)
c) increase (+) or decrease (-) of the remainder of debts payable to suppliers, contractors and other creditors	922 945	178 681	1 313 232	254 240
<b>3. Gross cash flow from basic activity</b>	<b>1 400 511</b>	<b>(557 130)</b>	<b>1 992 748</b>	<b>(792 726)</b>
4. Expenditures to pay interest payments	(242 973)	(236 462)	(345 719)	(336 455)
5. Expenditures to pay company's income tax and immovable property tax	(22 546)	47 143	(32 080)	67 078
<b>6. Cash flow before extraordinary items</b>	<b>1 134 992</b>	<b>(746 449)</b>	<b>1 614 948</b>	<b>(1 062 103)</b>
7. Cash flow from extraordinary items				
<b>8. Net cash flow from basic activity</b>	<b>1 134 992</b>	<b>(746 449)</b>	<b>1 614 948</b>	<b>(1 062 103)</b>
<b>II. Cash flow from investments</b>				
3. Acquisition of fixed assets and intangible investments	(133 006)	(630 738)	(189 250)	(897 459)
4. Expenditures for advance payments for fixed assets and unfinished constructions	(580 116)	(39 253)	(825 431)	(55 852)
5. Income from selling fixed assets and intangible investments	2 085	5 132	2 967	7 302
6. Interest received	-	20	-	28
<b>6. Net cash flow from investments</b>	<b>(711 037)</b>	<b>(664 839)</b>	<b>(1 011 715)</b>	<b>(945 981)</b>
<b>III. Cash flow from financing activities</b>				
1. Loans received	340	3 428 158	484	4 877 829
2. EU financing received			-	-
3. Received investments in capital			-	-
4. Expenditures for paying back loans	(884 748)	(946 087)	(1 258 883)	(1 346 161)
5. Expenditures for redemption of asset that was hired	-	(668 194)	-	(950 754)
6. Paid out dividends	-	-	-	-
<b>6. Net cash flow from financing activities</b>	<b>(884 408)</b>	<b>1 813 877</b>	<b>(1 258 399)</b>	<b>2 580 914</b>
<b>IV. The result of the exchange rate fluctuations</b>	<b>(140)</b>	<b>57 261</b>	<b>(199)</b>	<b>81 475</b>
<b>V. Net cash flow of the year of account increase (+), decrease (-)</b>	<b>(460 593)</b>	<b>459 850</b>	<b>(655 365)</b>	<b>654 306</b>
VI. Money and its equivalents balance at the beginning of the year of	480 774	20 924	684 080	29 772
VII. Money and its equivalents balance at the end of the year of account	20 181	480 774	28 715	684 080

The annex on pages 11-31 is an integral part of this financial statement

Board:

Jānis Bertrāns  
Chairman of board

Janis Mierkalns  
Vice-chairman

Gundars Maurs  
Member of board

Gatis Zommers  
Member of board



## Statement on the changes in own capital

	Share capital	Share premium	Other reserves	Reserves from reestimation on fixed assets	Retained earnings/loss from the previous year	Retained earnings/loss of the year of account	Currency fluctuations due to the reestimation of foreign currency	Toatal own capital
	LVL	LVL	LVL		LVL	LVL	LVL	LVL
<b>December 31, 2007</b>	<b>387 136</b>	<b>1 987</b>	<b>2 213 959</b>		<b>(32 619)</b>	<b>374 155</b>		<b>2 944 618</b>
Currency fluctuations due to recalculation					685		(120 056)	(119 371)
Distribution of profit of the year 2007			409 126		(34 971)	(374 155)		-
Disbursed dividends								-
Reserves from reestimation on fixed assets				800 242				800 242
Profit of the year of account, corrected						(219 076)		(219 076)
<b>December 31, 2008</b>	<b>387 136</b>	<b>1 987</b>	<b>2 623 085</b>	<b>800 242</b>	<b>(66 905)</b>	<b>(219 076)</b>	<b>(120 056)</b>	<b>3 406 413</b>
Currency fluctuations due to recalculation							3 152	3 152
Reserves from reestimation on fixed assets	-	-		2 250				2 250
Distribution of the year 2008 profit	-	-			(219 076)	219 076		-
Disbursed dividends	-	-						-
Profit of the year of account, corrected	-	-	-			49 813		49 813
<b>December 31, 2009</b>	<b>387 136</b>	<b>1 987</b>	<b>2 623 085</b>	<b>802 492</b>	<b>(285 981)</b>	<b>49 813</b>	<b>(116 904)</b>	<b>3 461 628</b>

	Share capital	Share premium	Other reserves	Reserves from reestimation on fixed assets	Retained earnings/loss from the previous year	Retained earnings/loss of the year of account	Currency fluctuations due to the reestimation of foreign currency	Toatal own capital
	EUR	EUR	EUR		EUR	EUR	EUR	EUR
<b>December 31, 2007</b>	<b>550 845</b>	<b>2 827</b>	<b>3 150 180</b>	<b>-</b>	<b>(46 413)</b>	<b>532 375</b>	<b>-</b>	<b>4 189 814</b>
Currency fluctuations due to recalculation	-	-	-		975	-	(170 824)	(169 850)
Distribution of profit of the year 2007	-	-	582 134	-	(49 759)	(532 375)	-	-
Disbursed dividends	-	-	-	-	-	-	-	-
Reserves from reestimation on fixed assets	-	-	-	1 138 642	-	-	-	1 138 642
Profit of the year of account, corrected	-	-	-	-	-	(311 717)	-	(311 717)
<b>December 31, 2008</b>	<b>550 845</b>	<b>2 827</b>	<b>3 732 314</b>	<b>1 138 642</b>	<b>(95 197)</b>	<b>(311 717)</b>	<b>(170 824)</b>	<b>4 846 889</b>
Currency fluctuations due to recalculation	-	-	-	-	-	-	4 485	4 485
Distribution of profit of the year 2007	-	-	-	3 201	-	-	-	3 201
Disbursed dividends	-	-	-	-	(311 717)	311 717	-	-
Reserves from reestimation on fixed assets	-	-	-	-	-	-	-	-
Profit of the year of account, corrected	-	-	-	-	-	70 878	-	70 878
<b>December 31, 2009</b>	<b>550 845</b>	<b>2 827</b>	<b>3 732 314</b>	<b>1 141 843</b>	<b>(406 914)</b>	<b>70 878</b>	<b>(166 339)</b>	<b>4 925 453</b>

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. Corporate 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 mežrūpniecība 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 Reporting Standards***

- SGS Nr.1 Drawing up of financial statements
- SGS Nr.2 Reserves
- SGS Nr.7 Cash flow statements
- SGS Nr.8 Accounting policies, changes in calculations and errors
- SGS Nr.10 Events after the balance sheet date
- SGS Nr.14 Showing information through segments
- SGS Nr.16 Capital assets
- SGS Nr.18 Incomes
- SGS Nr.19 Employee allowances
- SGS Nr.21 Impact of foreign currency fluctuations
- SGS Nr.23 Costs of loans

- SGS Nr.24 Disclosure of information about associated parties
- SGS Nr.27 Consolidated and separate financial statements
- SGS Nr.32 Financial instruments: disclosure and showing
- SGS Nr.33 Profit per share
- SGS Nr.36 Decrease of the value of assets
- SGS Nr.37 Reserves, possible liabilities and possible assets
- SGS Nr.38 Intangible assets
- SGS Nr.39 Financial instruments: acknowledgement and estimation

**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 000 Saldus and 000 Saldus Ls 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 000 Saldus and 000 Saldus Ls 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.

	31.12.2008.	31.12.2007.
RUB/ LVL	0.0164	0.0171
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, - 5 years  
software

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.

### **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 off 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 No 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.

### **Reserves**

#### *Unfinished products*

Reserves are accounted in their lowest cost value and net selling value. Cost is calculated by applying the FIFO method- first in, first out. Net selling value is the calculated selling price which is normally used in business by subtracting the expenditures needed to finish and sell products.

*Raw materials are accounted in their purchase costs.*

*Finished and unfinished products are accounted in their direct costs (raw materials and labour) by adding indirect expenditures needed for their production (salaries, electricity, wear and tear and other related costs which would be used in usual production volumes).*

Finished products are accounted in their lowest cost or net selling value. Net selling value is the calculated selling price in normal business activity by subtracting expenditures which will be needed to finish and sell the products.

The company regularly estimates if the value of reserves has not decreased due to aging or damage. Corresponding loss is included in the profit or loss calculation as production costs of sold products. When damaged products are physically destroyed, the value of reserves and the value of appropriate reserves are written off.

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

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

### **Money and its equivalents**

Money and its equivalents is money in the bank and cash register as well as other short-term investments with high liquidity and the initial term up to three months or less.

### **Share capital**

Common shares are classified as own capital. All 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**

	logging		timber processing		Other and undistributable		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
	LVL	LVL	LVL	LVL	LVL	LVL	LVL	LVL
Net turnover	5 042 949	7 081 521	4 147 822	2 356 369	94 259	320 077	9 285 030	9 757 967
Production costs of sold products	(4 094 996)	(6 585 062)	(3 750 368)	(2 369 156)	(357 621)	(303 347)	(8 202 985)	(9 257 565)
Selling costs	(832 395)	(119 567)	(38 373)	(48 157)	(134)	(36 873)	(870 902)	(204 597)
General administration costs	(27 048)	(159 097)	(3 808)	(68 463)	(137 333)	(107 400)	(168 189)	(334 960)
Other incomes/expenditures from economic activity	40 290	111 511	210 616	(76 063)	13 423	10 497	264 329	45 945
<b>Segment profit</b>	<b>128 800</b>	<b>329 306</b>	<b>565 889</b>	<b>(205 470)</b>	<b>(387 406)</b>	<b>(117 046)</b>	<b>307 283</b>	<b>6 790</b>
Financial expenditures, net	(75 549)	(166 680)	(28 916)	(89 182)	(130 614)	(17 147)	(235 079)	(273 009)
Company income tax (undistributable)					8 119	57 971	8 119	57 971
Other taxes	(611)	(7 239)	(21 205)	(2 902)	(8 694)	(687)	(30 510)	(10 828)
<b>Net result</b>	<b>52 640</b>	<b>155 387</b>	<b>515 768</b>	<b>(297 554)</b>	<b>(518 595)</b>	<b>(76 909)</b>	<b>49 813</b>	<b>(219 076)</b>
Segment assets	5 572 867	5 778 119	2 626 704	2 413 132	2 567 572	2 627 966	10 767 143	10 819 217
Segment liabilities	4 561 324	4 726 933	2 148 346	1 887 539	4 057 473	4 204 745	10 767 143	10 819 217

	logging		timber processing		Other		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Net turnover	7 175 470	10 076 097	5 901 819	3 352 811	134 118	455 429	13 211 407	13 884 336
Production costs of sold products	(5 826 654)	(9 369 699)	(5 336 293)	(3 371 005)	(508 849)	(431 624)	(11 671 796)	(13 172 328)
Selling costs	(1 184 391)	(170 129)	(54 600)	(68 521)	(191)	(52 466)	(1 239 182)	(291 115)
General administration costs	(38 486)	(226 375)	(5 418)	(97 414)	(195 407)	(152 816)	(239 311)	(476 605)
Other incomes/expenditures from economic activity	57 328	158 666	299 680	(108 228)	19 099	14 936	376 106	65 374
<b>Segment profit</b>	<b>183 266</b>	<b>468 560</b>	<b>805 188</b>	<b>(292 357)</b>	<b>(551 229)</b>	<b>(166 541)</b>	<b>437 224</b>	<b>9 661</b>
Financial expenditures, net	(107 497)	(237 164)	(41 144)	(126 895)	(185 847)	(24 398)	(334 487)	(388 457)
Company income tax	-	-	-	-	11 552	82 485	11 552	82 485
Other taxes	(869)	(10 300)	(30 172)	(4 129)	(12 370)	(978)	(43 412)	(15 407)
<b>Net result</b>	<b>74 900</b>	<b>221 096</b>	<b>733 872</b>	<b>(423 381)</b>	<b>(737 894)</b>	<b>(109 432)</b>	<b>70 878</b>	<b>(311 717)</b>
Segment assets	7 929 475	8 221 523	3 737 463	3 433 577	3 653 326	3 739 259	15 320 264	15 394 359
Segment liabilities	6 490 179	6 725 820	3 056 821	2 685 726	5 773 264	5 982 813	15 320 264	15 394 359

**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.

	2009 LVL	2008 LVL	2009 EUR	2008 EUR
Income from sales, int. Al.	8 927 196	9 510 412	12 702 256	13 012 156
Latvia	8 819 058	8 994 468	12 548 389	12 797 975
Russia	107 272	365 417	152 634	
the EU countries	866	150 527	1 232	214 181
Income from rendering of services, int. Al.	357 834	247 555	509 152	318 942
Latvia	353 286	224 154	502 681	318 942
Russia	4 548	23 401	6 471	
	<b>9 285 030</b>	<b>9 757 967</b>	<b>13 211 407</b>	<b>13 331 098</b>

**5. Production costs of sold products**

	2009 LVL	2008 LVL	2009 EUR	2008 EUR
Actual cost of sold products				
Wages	877 584	963 826	1 248 690	1 371 401
Wear and tear of capital assets	585 207	611 409	832 675	869 957
Purchasing costs of raw materials	3 624 064	2 469 265	5 156 579	3 513 448
Stem taxes	1 616 642	3 378 681	2 300 274	4 807 430
Electricity costs	129 959	83 800	184 915	119 237
Security, heating	7 361	24 445	10 474	34 782
Services received from outside	1 226 132	1 662 726	1 744 629	2 365 846
Other costs	136 036	63 413	193 562	90 229
	<b>8 202 985</b>	<b>9 257 565</b>	<b>11 671 796</b>	<b>13 172 328</b>



**6. Selling costs**

	2009 LVL	2008 LVL	2008 EUR	2007 EUR
Other expenditures	15428	2957	21592	4 208
Railway, customs clearance formalities	855 474	201 640	1 217 590	286 907
	<b>870 902</b>	<b>204 597</b>	<b>1 239 182</b>	<b>291 115</b>

**7. General and administration costs**

	2009 LVL	2008 LVL	2009 EUR	2008 EUR
Administration costs				
Wages	102 328	185 880	145 600	264 483
Wear and tear of capitl assets	798	29 060	1 135	41 349
Communication costs	8 131	10 525	11 569	14 976
Office upkeep costs	7 670	33 144	10 913	47 160
Annual report costs	3 020	6 635	4 297	9 441
Banking services	15 877	5 665	22 591	8 061
Insurance costs	860	12 657	1 224	18 009
Legal services	609	9 475	867	13 482
Other	1 713	4 036	2 437	
Travelling allowance	0	4 465	0	6 353
Maintenance of the capital assets of administration	27 183	33 419	38 678	47 551
	<b>168 189</b>	<b>334 960</b>	<b>239 311</b>	<b>470 864</b>

**8. Other income from economic activity**

	2009 LVL	2008 LVL	2009 EUR	2008 EUR
Other income				
Income from excluding of long-term investments	26 405	184 201	37 571	262 094
Income from the fluctuations of exchange rate		220 548	0	313 812
Other income	432 218	10 244	614 991	14 576
Income of the next periods	16 241	16 241	23 109	23 109
	<b>474 864</b>	<b>431 234</b>	<b>675 671</b>	<b>613 591</b>

**9. Other costs of economic activity**

	2009 LVL	2008 LVL	2009 EUR	2008 EUR
Other expenditure				
Loss from excluding long-term investments	104 118		148 147	0
Expenditure due to exchange rate fluctuations		314 064	0	446 873
Donations		4 519	0	6 430
Accruals for insecure debtors	14 503	30 205	20 636	42 978
Other expenditure	91 914	16 352	130 782	23 267
Payments into private pension funds		8 862	0	12 609
Penalties		11 287	0	16 060
	<b>210 535</b>	<b>385 289</b>	<b>299 564</b>	<b>548 217</b>

**10. Staff costs**

	2009 LVL	2008 LVL	2009 EUR	2008 EUR
Average number of employees	111	159		
<b>Staff costs in total</b>				
Wages pursuant to differen legislation	12 339	41 158	14 320	58 563
Wages	491 473	926 189	699 303	1 317 848
Social security tax	187 682	225 409	267 047	320 728
	<b>691 605</b>	<b>1 192 915</b>	<b>980 670</b>	<b>1 697 139</b>
Int. Al.				
<u>Wages of production workers</u>				
Wages pursuant to differen legislation	10 064	25 185	14 320	35 835
Wages	410 791	789 441	584 503	1 123 273
Social security tax	168 312	192 250	239 486	273 547
	<b>589 167</b>	<b>1 006 876</b>	<b>838 309</b>	<b>1 432 655</b>
<u>Administration wages</u>				
Wages pursuant to different legislation	2 275	15 973		22 728
Wages	80 682	136 748	114 800	194 575
Social security tax	19 370	33 159	27 561	47 181
	<b>102 327</b>	<b>185 880</b>	<b>142 361</b>	<b>264 483</b>
Int. Al. For management				
Wages	16 151	63 433	22 981	90 257
Social security tax	1 454	15 282	2 069	21 744
	<b>17 605</b>	<b>78 715</b>	<b>25 050</b>	<b>112 001</b>

**11. Financial income/ (expenditure), net**

	2009 LVL	2008 LVL	2009 EUR	2008 EUR
% for granted loans	102210		145 432	0
Received % from the balance of account	19	23	27	33
	1 232		1 753	0
	<b>103 461</b>	<b>23</b>	<b>147 212</b>	<b>33</b>
	152 548		217 056	
Paid % for loans	169 375	220 953	240 999	314 388
Paid % for financial lease	16 617	52 079	23 644	74 102
	<b>338 540</b>	<b>273 032</b>	<b>481 699</b>	<b>388 490</b>

## 12. Company income tax

	2009 LVL	2008 LVL	2009 EUR	2008 EUR
Company income tax for the year of account	36 784	2 277	52 339	3 240
	<b>36 784</b>	<b>2 277</b>	<b>52 339</b>	<b>3 240</b>
Deferred company income tax	-43 203	-50 897	-61 472	-72 420
	<b>-43 203</b>	<b>-50 897</b>	<b>-61 472</b>	<b>-72 420</b>

### Deferred company income tax:

	2009 LVL	2008 LVL	0.15 2009 EUR	0.702804 2008 EUR
<i>Liabilities of the deferred company income tax</i>				
The residual value of capital assets in accounting (excluding the value of land, advance payments and unfinished construction)	2 938 386	3 389 011	4 180 947	4 822 128
Residual value of capital assets needed for taxes	1 847 310	2 051 955	2 628 485	2 919 669
Uzkrājumi šaubīgiem debitoriem	59 919	45 415		
Accruals for holidays	75 561	48 022	107 514	68 329
Temporary difference	955 597	1 243 619	1 359 692	1 769 510
<b>Liabilities of deferred tax</b>	<b>143 340</b>	<b>186 543</b>	<b>203 954</b>	<b>265 427</b>

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

### 13. Intangible investments

	Software	Intangible value	Advance payments for intangible investments	Total
	LVL	LVL	LVL	LVL
Initial value 31.12.2008.	54 096	132 000	-	186 096
Purchase	25 402		-	25 402
2008 Decrease of value			-	-
Initial value 31.12.2009.	79 498	132 000	-	211 498
Accured deprication 31.12.2008.	19 244			19 244
Deprication	14 095			14 095
2008 Decrease of value				-
Accured deprication 31.12.2009.	33 339	-	-	33 339
<b>Residual value 31.12.2008.</b>	<b>34 852</b>	<b>132 000</b>	<b>-</b>	<b>166 852</b>
<b>Residual value 31.12.2009.</b>	<b>46 159</b>	<b>132 000</b>	<b>-</b>	<b>178 159</b>
Deprication rate (by the linear method)	5 years			
	Software	Intangible value	Advance payments for intangible investments	Total
	EUR	EUR	EUR	EUR
Initial value 31.12.2008.	76 972	187 819	-	264 791
Purchase	36 144	-	-	36 144
2008 Decrease of value	-	-	-	-
Initial value 31.12.2009.	113 115	187 819	-	300 935
Accured deprication 31.12.2008.	27 382	-	-	27 382
Deprication	20 055	-	-	20 055
2008 Decrease of value	-	-	-	-
Accured deprication 31.12.2009.	47 437	-	-	47 437
<b>Residual value 31.12.2008.</b>	<b>49 590</b>	<b>187 819</b>	<b>-</b>	<b>237 409</b>
<b>Residual value 31.12.2009.</b>	<b>65 678</b>	<b>187 819</b>	<b>-</b>	<b>253 497</b>
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.

**14. Capital assets**

	Land, buildings and systems	Biological assets	Equipment and machinery	Other capital assets	Unfinished construction	Total, except for advance payments for capital assets
	LVL	LVL	LVL	LVL	LVL	LVL
Accounting value 31.12.2008.	3 460 391	600 488	2 931 822	95 414	763 542	7 851 657
2009 Purchase	44 047	49	82 931	467	635 154	762 648
Liquidity	(858)		(9 038)	(475)		(10 371)
Reconstruction*		(47 241)				(47 241)
Reshuffle			18 095	(18 095)		-
Accounting value 31.12.2009.	3 503 580	553 296	3 023 810	77 311	1 398 696	8 556 693
Accrued wear and tear 31.12.2008.	449 409		1 109 828	63 428	240 022	1 862 687
2009 Wear and tear	117 576		579 774	13 083		710 433
Wear and tear of liquid assets			(2 554)	(475)		(3 029)
Reshuffles			15 957	(15 957)		-
Accrued wear and tear 31.12.2009.	566 985		1 703 005	60 079	240 022	2 570 091
<b>Residual value 31.12.2008.</b>	<b>3 010 982</b>	<b>600 488</b>	<b>1 821 994</b>	<b>31 986</b>	<b>523 520</b>	<b>5 988 970</b>
<b>Residual value 31.12.2009.</b>	<b>2 936 595</b>	<b>553 296</b>	<b>1 320 805</b>	<b>17 232</b>	<b>1 158 674</b>	<b>5 986 602</b>

Rate of wear and tear (linear method)      5-20 years      5-10 years      5 years

	Land, buildings and systems	Biological assets	Equipment and machinery	Other capital assets	Unfinished construction	Total, except for advance payments for capital assets
	EUR		EUR	EUR	EUR	EUR
Accounting value 31.12.2008.	4 923 693	854 417	4 171 607	135 762	1 086 422	11 171 901
2009 Purchase	62 673	70	118 000	664	903 744	1 085 151
Liquidity	(1 221)		(12 860)	(676)	-	(14 757)
Reconstruction*	-		-	-	-	-
Put into operation	-		25 747	(25 747)	-	-
Accounting value 31.12.2009.	4 985 145	854 487	4 302 494	110 004	1 990 166	12 242 296
Accrued wear and tear 31.12.2008.	639 451		1 579 143	90 250	341 521	2 650 364
2009 Wear and tear	167 296		824 944	18 615	-	1 010 855
Wear and tear of liquid assets	-		(3 634)	(676)	-	(4 308)
Reshuffles	-		22 705	(22 705)	-	-
Accrued wear and tear 31.12.2009.	806 747		2 423 158	85 485	341 521	3 656 911
<b>Residual value 31.12.2008.</b>	<b>4 284 241</b>	<b>854 417</b>	<b>2 592 464</b>	<b>45 512</b>	<b>744 901</b>	<b>8 521 537</b>
<b>Residual value 31.12.2009.</b>	<b>4 178 398</b>	<b>854 487</b>	<b>1 879 336</b>	<b>24 519</b>	<b>1 648 645</b>	<b>8 585 385</b>

Rate of wear and tear (linear method)      5-20 years      5-10 years      5 years

## 15. Unfinished construction and advance payments for capital assets

	2009 LVL	2008 LVL	2009 EUR	2008 EUR
Piece of land added to the existing property		797 391	0	
<b>*reconstruction in total:</b>	<b>797 391</b>	<b>797 391</b>	<b>1 134 585</b>	
Shooting-range and recreation territory in Pakuļi Sports Centre Itc	78 872	78 872	112 225	112 225
Unfinished construction in Russia	444 460	359 694	632 410	511 798
Small logs sawline monting	522 273		743 128	0
Repair shops	35 528	8 016	50 552	11 406
Sawing line for small timber	40 609	40 583	57 781	57 744
Sorting line for dry sawn timber	36 932	36 355	52 550	51 729
<b>in total unfinished constructio objects:</b>	<b>1 158 674</b>	<b>523 520</b>	<b>1 648 645</b>	<b>744 902</b>
for the delivery of PI in 2009	29 728		42 299	0
<b>in total advance payments for capital assets</b>	<b>29 728</b>		<b>42 299</b>	<b>0</b>

## 16. Reserves

	2009 LVL	2008 LVL	2009 EUR	2008 EUR
Materials, spare parts, inventory	251 463	274 099	357 800	390 008
Biologicals assets	298 760	328 858	425 097	467 923
Round timber in forests	521 859	414 273	742 538	589 457
Round timber at rads and in workshops	561 353	433 478	798 733	616 784
Sawn timber	216 893	123 732	308 611	176 055
<b>in total unfinished construction</b>	<b>1 300 105</b>	<b>971 483</b>	<b>1 849 883</b>	<b>1 382 296</b>
Finished production	284 930	583 791	405 419	830 660
Advance payments for goods	1 482 562	912 478	2 109 496	1 298 339

In the Holding on 31.12.2009 was carried out inventory and non-marketable stocks were not established.

**17. Debts of buyers and customers**

	2009 LVL	2008 LVL	2009 EUR	2008 EUR
For transport services	41 924	41 006	59 652	58 346
For the lease of immovables and equipment	20 822	13 115	29 627	18 661
For timber	667 616	774 153	949 932	1 101 520
Other services	0	0	0	0
debtors debts in total	730 362	828 274	1 039 212	1 178 528
accruals for doubtful debtors	59 919	45 415	85 257	64 620
<i>Debts of buyers and customers in net value:</i>	<i>670 443</i>	<i>782 859</i>	<i>953 954</i>	<i>1 113 908</i>

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 14503 LVL (20636 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).

**18. Other debtors**

	2009 LVL	2008 LVL	2009 EUR	2008 EUR
Deferred VAT	9 641	39 546	13 718	56 269
Surplus company income tax payment		20 960	0	29 823
Surplus VAT payment		13 297	0	18 920
VAT paid in advance on boarder	470	470	669	669
Surplus URN payment	33	222	47	316
Other debtors	112 558	104 841	160 156	149 175
Advance payment to the customs for cargo carried equipment				0
Advance payments for other services				0
<i>In total other debtors</i>	<i>122 703</i>	<i>179 337</i>	<i>174 589</i>	<i>255 172</i>

**19. Expenditures of the next periods**

	2009 LVL	2008 LVL	2009 EUR	2008 EUR
Insurance	6 234	7 210	8 870	10 259
Transaction account				0
Licence fees	551	637	784	906
Other	233 096	110 475	331 666	157 192
<i>In total expenditure of the next periods</i>	<i>239 881</i>	<i>118 322</i>	<i>341 320</i>	<i>168 357</i>

**20. Money and its equivalents**

	2009 LVL	2008 LVL	2009 EUR	2008 EUR
Money in accounts	19 119	479 985	27 204	682 957
Money in cash	1 021	789	1 453	1 123
	41		58	0
<i>In total other debtors</i>	<i>20 181</i>	<i>480 774</i>	<i>28 715</i>	<i>684 080</i>

**20. 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	100 655	143 219
Saldus mežrūpniecības uzņēmums Ltd.	27	104 489	148 674
Physical persons of the Republic of Latvia	3	11 577	16 473
SIA JL Lindex	16	61 915	
Shares of public offering *	28	108 500	154 382
<b>Total:</b>	<b>100</b>	<b>387 136</b>	<b>462 748</b>
	31.12.2008	387136	550 845
	31.12.2009	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.

	2009 LVL	2008 LVL	2009 EUR	2008 EUR
Profit of the period of account	49 813	-219 076	70 878	-311 717
Number of shares 31.12.2008	387 136	387 136	550 845	550 845
<b>Basic profit per share per year</b>	<b>0.13</b>	<b>-0.57</b>	<b>0.18</b>	<b>-0.81</b>



**21. Loans from credit institutions**

	% rate in force	Atmaksas termiņš	2009 LVL	2008 LVL	2009 EUR	2008 EUR
Long-term:						
A/s Swedbanka	6 mon.Euribor + 1.5%	1 year or more		3 969	0	5 647
A/s Swedbanka	3 mon.Euribor + 0.9-1.2%	1 year or more	536 334	632 790	763 135	900 379
A/s Nordea banka	3 mon.Euribor + 2%	1 year or more	918 088	1 021 298	1 306 322	1 453 176
A/s Swedbanka	3 mon.Euribor + 0.9%	1 year or more	67 240	368 554	95 674	524 405
A/s Swedbanka	3 mon. Euribor + 0.9%	1 year or more	319 024	89 349	453 930	127 132
			<b>1 840 686</b>	<b>2 115 960</b>	<b>2 619 060</b>	<b>3 010 740</b>
Short-term:						
A/s Swedbanka creditline	3 mon.Rigibor + 5%;	up to 12 mon.	1 520 062	1 627 223	2 162 853	2 315 330
A/s Nordea banka	3 mon.Euribor + 5%	up to 12 mon.	114 074	130 370	162 313	185 500
A/s Swedbanka	6 mon.Euribor + 1.5%	up to 12 mon.	3 969	47 794	5 647	68 005
A/s Swedbanka	3 mon.Euribor + 0.9%	up to 12 mon.	17 976	8 500	25 578	12 094
A/s Swedbanka	3 mon.Euribor + 0.9-1.2%	up to 12 mon.	96 455	149 048	137 243	212 076
A/s Swedbanka	3 mon.Euribor + 0.9-1.2%	up to 12 mon.		122 828	0	174 768
			<b>1 752 536</b>	<b>2 085 763</b>	<b>2 493 634</b>	<b>2 967 773</b>

**22. Liabilities of financial lease and other loans**

	% rate in force	2009 LVL	2008 LVL	2009 EUR	2008 EUR
Long-term:					
SIA Hanza lizings	6 Euribor+0.8-1.2%	204 568	393 990	291 074	560 597
SIA Nordea lizings	Fiksēta likme 5%	17 683	27 935	25 161	39 748
Other loans		1 409 948	1 409 608	2 006 175	2 005 691
		<b>1 632 199</b>	<b>1 831 533</b>	<b>2 322 410</b>	<b>2 606 037</b>
Short-term:					
SIA Hanza lizings	6 Euribor+0.8-1.2%	170 511	208 638	242 615	296 865
SIA Nordea lizings	Fiksēta likme 5%	10 252	27 681	14 587	39 387
Other loans		8 907		12 674	0
		<b>189 670</b>	<b>236 319</b>	<b>269 876</b>	<b>336 252</b>

**22. Taxes payable**

	31.12.2008 LVL	Paid in 2009 LVL	Calculated in 2009 LVL	31.12.2009 LVL
Company Income Tax	(20 440)	13 450	81 319	47 429
VAT	(13 927)	231 700	235 986	(9 641)
VAT on the boarder	(470)	3 158 838	3 158 838	(470)
Peoples Income Tax	22 789	138 800	131 752	15 741
Compulsory Payments of Social Insurance Tax	15 647	241 637	252 189	26 199
Natural Resources Tax	-	-	-	-
Property Tax	9	11 586	10 667	(910)
URN	(221)	13 282	13 522	19
Taxes pursuant to other legislation	9908			4284
	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>
Company Income Tax	(29 083)	19 138	115 707	67 485
VAT	(19 816)	329 679	335 778	(13 718)
VAT on the boarder	(669)	4 494 622	4 494 622	(669)
Peoples Income Tax	32 426	197 495	187 466	22 397
Compulsory Payments of Social Insurance Tax	22 264	343 818	358 833	37 278
Natural Resources Tax	-	-	-	-
Property Tax	13	16 485	15 178	(1 295)
URN	(314)	18 899	19 240	27
Taxes pursuant to other legislation	14 098			6 096

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.

**23. Other liabilities**

	2009 LVL	2008 LVL	2009 EUR	2008 EUR
Wages	57 225	28 813	81 424	40 997
Payments in private pension funds	2 138	2 138	3 042	3 042
Other	6 189	26 836	8 806	38 184
	<b>65 552</b>	<b>57 787</b>	<b>93 272</b>	<b>82 223</b>

**24. Accrued liabilities**

	2009 LVL	2008 LVL	2009 EUR	2008 EUR
Accrued for holidays	75 561	48 022	107 514	68 329
	<b>75 561</b>	<b>48 022</b>	<b>107 514</b>	<b>68 329</b>

**25. Incomes from the next periods**

	2009 LVL	2008 LVL	2009 EUR	2008 EUR
Long-term:				
Project No. 124000041	45 946	57 199	65 375	81 387
Project No.04/415034/0002/023	19 942	24 930	28 375	35 472
	<b>65 888</b>	<b>82 129</b>	<b>93 750</b>	<b>116 859</b>
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
	<b>16 241</b>	<b>16 241</b>	<b>23 109</b>	<b>23 109</b>

**26. 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.

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**27. Transactions with associated persons**

There have not been issued or received any guarantees for securing the claims of the debtors or creditors of associated persons. At the end of the accounting year the Holding has not made any accruals for doubtful debts related with associated persons.

In this financial statement, the companies which belong to the Holding of the joint-stock company Saldus mežrūpniecība, i.e. Pakuļi Sports Centre Ltd. ooo Saldus and ooo Saldus Ļes are seen as associated companies of the Holding's parent company. Also, the important shareholders of the joint-stock company Saldus mežrūpniecība such as SEZ Laskana Ltd. and Saldus mežrūpniecības uzņēmums Ltd. are seen as the Holding's associated persons.

In the accounting year, the joint-stock company Saldus mežrūpniecība wrote out bills of landing to Saldus mežrūpniecības uzņēmums Ltd. for delivered timber in the amount of 623 LVL Ls (in 2008- 2491 LVL), for timber related services in the amount of 28587 LVL (in 2008 238744 LVL). In the balance sheet post of the joint-stock company Saldus mežrūpniecība "Debts of Buyers and Customers" in 2008 there is shown a remainder of 21850LVL (in 2008-1779LVL).

In the accounting year, the joint-stock company Saldus mežrūpniecība wrote out bills of landing to Pakuļi Sports Centre Ltd. for the lease of shooting equipment and other services in the amount of 7336LVL. In the balance sheet post of the joint-stock company Saldus mežrūpniecība "Debts of Buyers and Customers" in 2009 there are not liabilities (in 2008 the remainder of liabilities was 2297 LVL).

In the accounting year, the Saldus mežrūpniecības uzņēmums Ltd. wrote out bills of landing to the joint-stock company Saldus mežrūpniecība for the selling of round timber in the amount of 399700 LVL (in 2008- 315365 LVL); for other services and materials in the amount of 135169 LVL (in 2008 21317 LVL).

In the balance sheet post of the joint-stock company Saldus mežrūpniecība "Debts of Buyers and Customers" in 2009 there is shown a remainder for the amount of 26076 LVL (in 2008 77029 LVL).

In the accounting year, the ooo Saldus wrote out bills of landing to the joint-stock company Saldus mežrūpniecība for the delivery of round timber in the amount of 201296 Ls (in 2009- 128349 Ls). In 2007, the joint-stock company Saldus mežrūpniecība made an advance payment for the delivery of round timber in the amount of 239969 Ls as the result of which in the balance sheet of the joint-stock company Saldus mežrūpniecība there is shown an advance payment in the amount of 125014 Ls. In the consolidated balance sheet the result is excluded.

In 2005, there was purchased a subsidiary company Pakuļi Sports Centre Ltd. for the amount of 146 000 Ls. Due to this purchase in the balance sheet of the joint-stock company Saldus mežrūpniecība arises an intangible value in the amount of 132 000 LVL (see paragraph 13 of the annex Intangible investments).

At the end of 2005 and the beginning of 2006, in Pskov Region of the Russian federation there were founded two subsidiary companies ooo Saldus which investment in capital is in the amount of 5162 LVL, and ООО *Деревообрабатывающий комбинат № 3* with the common goal for both companies to carry out logging and timber processing activities. There was concluded a contract about the purchase of a real estate- buildings which are still unfinished so that there could be located a timber processing line purchased in Finland. In order to purchase a real estate with the total are of 2.8 ha on which there is situated a building with the total area under roof of 3600 m<sup>2</sup> for the amount of 15 064 000 RUB (there has already been granted a loan in the amount of 467 369 Ls (in 2006- 170 276 Ls) which in the balance sheet of the joint-stock company Saldus mežrūpniecība is shown in the post "Loans to Associated Companies").

In the accounting year, the joint-stock company Saldus mežrūpniecība sold its capital assets to ООО Saldus in the amount of 3616 Ls. In the balance sheet post of the joint-stock company Saldus mežrūpniecība "Debts of Buyers and Customers" in 2008 the reminder of liabilities is 3616 LVL (in 2008 there was not a reminder of liabilities).

In the accounting period, the joint-stock company Saldus mežrūpniecība granted a loan to its subsidiary company Pakuļi Sports Centre Ltd. to landscape its territory and for its development in the amount of 13424 LVL, of which in 2009 there was paid back a loan in the amount of 99 899 LVL. From the Holding's balance sheet there is excluded the reminder of liabilities in the amount of 99 899 LVL, which is shown in the balance sheet post of the joint-stock company Saldus mežrūpniecība "Loans to Associated Companies".

**28. 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 possess 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.

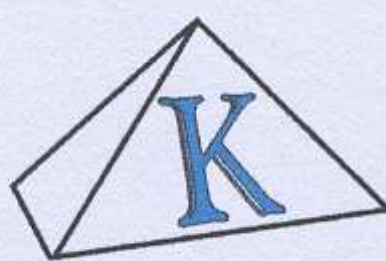
#### ***Real value***

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.

### **29. 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.





**SIA "KONSULTS"**

LZRA licence Nr.39

Cēsis LV 4100 Rīgas iela 4

Reģ.Nr. LV 44103010249

## **INDEPENDENT AUDITORS' REPORT**

**To the Shareholders of SALDUS MEŽRŪPNIECĪBA JSC**

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of SALDUS MEŽRŪPNIECĪBA JSC which comprise the balance sheet as of 31 December 2008 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 responsibility on the presentation of the financial statement*

The management of SALDUS MEŽRŪPNIECĪBA JSC is responsible for drawing up of the consolidated financial statement and accuracy of the information contained in the said report presented pursuant to International Financial Reporting Standards. This responsibility implies establishment, implementation and maintenance of such internal control that is to ensure the drawing up and true and fair presentation of the financial report that is free from material misstatement resulting from fraudulent activity or errors, selection and use of an appropriate accounting policy, as well as preparation of accounting estimates suitable in the particular conditions.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the consolidated financial statement based on our audit. We performed the audit in accordance with the International Standards on Audit recognized in Latvia. These standards stipulate ethical norms to be observed by the auditor and require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

The audit includes procedures undertaken to obtain audit evidence on the amounts presented in the consolidated financial statements and the information disclosed. The procedures are selected based on the auditor's professional judgement, including assessment of risk of fraudulent misrepresentation or material discrepancies in the financial statement. When performing risk assessment, the auditor takes into account internal control established to ensure the drawing up of the financial statements and accurate presentation of information in the reports aimed at determining the most appropriate procedures in the particular situation, rather than expressing an opinion on the efficiency of control. The audit also includes general evaluation of whether the



applied accounting principles and relevant management assumptions, as well as the information presented in the financial statements are reasonably justified.

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 statement presents fairly, in all material respects the financial position of the SĀLDUS MEŽRŪPNIECĪBA JSC as of December 31, 2009, and of the results of its financial performance and cash flows for the year 2009 in accordance with the International Financial Reporting Standards.*

### **Report on the conformity of the management report**

We have familiarised ourselves with the management report for the year 2009 and have not disclosed any material discrepancies between the financial information presented in the management report and the financial statement for the year 2009.

G. Jaunzeme

Sworn auditor, certificate No. 16

Member of the Board

"KONSULTS" Ltd

Audit Company Licence No. 39



Cesis

30.04.2010.