AS Latvijas balzams

ANNUAL REPORT

for the period ended 31 December 2010

in accordance with EU approved

International Financial Reporting Standards

CONTENTS

MANAGEMENT

Names and positions of the Council members	Aigars Kalvītis – Chairman of the Council (from 16.10.2009)
	Valery Mendeleev - Vice Chairman of the Council (from 16.10.2009)
	Andrejs Skurihins – Member of the Council
	Alexander Kovalev – Member of the Council (from 16.10.2009)
	Pjotrs Aven - Member of the Council
	Boelem Sebastianus Antonius Theodorus – Member of the Council (from 16.10.2009)
Names and positions of the Board members	
	Kārlis Andersons – Chairman of the Board General Director of AS Latvijas balzams
	Valērijs Paršikovs – Member of the Board (from 18.05.2009 until 22.03.2010)
	Sergejs Ļimarenko – Member of the Board, Chief of Internal Security Department of AS Latvijas balzams
	Ronalds Žarinovs – Member of the Board, Director of Production of AS Latvijas balzams
	Signe Bīdermane – Member of the Board, Director of Personnel and administrative department of AS Latvijas balzams
	Gunita Kronberga -Member of the Board (from 22.03.2010) Finance Director of AS Latvijas balzams

REPORT OF THE MANAGEMENT

Type of operations

AS Latvijas balzams (further - Company) is the largest alcoholic beverage producer in the Baltic States, whose product range includes more than 100 kinds of alcoholic beverages, of whom 53% of beverages are with low alcohol content. The Company products are exported to nearly 30 countries around the world, while in performing export orders of "S.P.I. Group" to more than 70 countries around the world.

Performance of the Company during the financial year

Net turnover of the Company in year 2010 was 74.7 million EUR, which is for 6% less than in year 2009. Turnover in the domestic market compared with last year, has fallen by 13%, in the export market - by 18%, meanwhile export orders of "S.P.I. Group" has increased by 2% compared with last year. In 2010 sales to EU member states compared with last year, has fallen by 15%. Sales to Lithuania and Estonia has fallen respectively by 28% and 1%. Company's principal activity results in 2010 was significantly affected by the decline of purchasing power, the increase of excise tax and illegal alcohol sales increase as well as the decrease in economic activity in Latvia, taking under consideration, that economical development is associated solely with exports, as well as economical uncertainty in main markets of the Company. The main export directions in 2010 were the Baltic countries, Russia, Scandinavia, Germany and Italy. Meanwhile new export markets were actively acquired, for example, Bulgaria, China, Australia and Kazakhstan.

The Company has paid great attention to production cost control and operation's efficiency improvement, as a result, despite the decrease in net turnover in 2010, the Company has finished the reporting year with a 5.6 million EUR net profit, that is 0.5 million EUR or 9.3% better then in 2009.
During the reporting year the Company has continued to invest in production technology improvement. During the reporting year a new overhang was built for material storage, as well as investments in adjustments of the production machinery, for launching a new design of bottles for world-wide known brand Stolichnaya. The Company is one of the biggest tax payers in Latvia. During the reporting year AS Latvijas balzams transferred 48.9 million EUR in taxes to the state budget, including 36.3 million EUR as the excise tax.

In 2010 the Company employed 634 employees in average (2009 - 681), and their gross monthly salary last year was 822 EUR in average (2009 - 868 EUR).

Post balance sheet events

In the time period between the last day of the financial year and the date of signing the financial statements by the Board there have been no important events that would have a significant effect on the financial results of the year or the financial position of the company.

Distribution of profit proposed by the Board	**2010** **Eur**
Profit share to be distributed	**5 578 419**
Proposed profit distribution:	
Retained earnings	5 578 419

Future prospects

Economical situation in Latvia has started to stabilise and, even though customer purchasing power is very low, the objectives of the Company is to maintain the existing market share and to continue new market acquirement by improving product portfolio. In 2011 the priorities of AS Latvijas balzams will be further control of production and logistics costs, optimization and production efficiency improvement, rise of Company's competitiveness. AS Latvijas balzams will continue to support nature friendly solutions, persistently improving activities, that decrease Company's negative impact on the environment, establishing high requirements for itself and Company's partners.

Kārlis Andersons
Chairman of the Board

Riga, 14 April, 2011

STATEMENT OF THE MANAGEMENT RESPONSIBILITY

The Management is responsible for the preparation of the financial statements in accordance with International Financial Reporting Standards as adopted the EU. The financial statements give a true and fair view of the financial position of the Company at the end of the reporting year, and the results of its operations and cash flow for the year then ended.

The Management certifies that proper accounting methods were applied to preparation of these financial statements on page 8 to page 37 and decisions and assessments were made with proper discretion and prudence. The accounting policies applied have been consistent with the previous period. The Management confirms that the financial statements have been prepared on going concern basis.

The Management is responsible for accounting records and for safeguarding the Company’s assets and preventing and detecting of fraud and other irregularities in the Company. It is also responsible for operating the Company in compliance with the legislation of the Republic of Latvia.

Kārlis Andersons
Chairman of the Board

Riga, 14 April, 2011

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Latvijas balzams AS

Report on the Financial Statements

We have audited the accompanying financial statements of Latvijas balzams AS (the Company) included in the Annual report as set out on pages 8 to 37. The period of financial statements is from 1 January 2010 till 31 December 2010 (the Financial year). These financial statements include the the statement of financial position as at 31 December 2010, and the income statement, statement of comprehensive income, cash flow statement, statement of changes in equity for the financial year, and summary of significant accounting policy and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the above mentioned financial statements give a true and fair view of the financial position of the Company as at the end of the financial year, and of its financial performance and cash flow for the financial year in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on Other Legal and Regulatory Requirements

We have read the Management Report for the financial year as set on page 4 and did not identify material inconsistencies of the financial information presented in the Management Report and that contained in the financial statements.

Baker Tilly Baltics SIA
Certified auditors' company
License No. 80

Eriks Bahirs
Certified Auditor
Certificate No.136
Chairman of the Board

Riga, 28 April 2010

This report is English translation of the original Latvian. In the event of discrepancies between the two reports, the Latvian version prevails.

INCOME STATEMENT

	Notes	2010 Eur	2009 Eur
Net sales	(1)	74 358 345	79 111 027
Cost of sales	(2)	(59 162 202)	(63 578 894)
Gross profit (loss)		**15 196 143**	**15 532 133**
Distribution expenses	(3)	(5 048 563)	(5 805 128)
Administrative expenses	(4)	(3 230 021)	(3 666 220)
Other income	(5)	1 997 860	1 791 524
Other expenses	(6)	(330 055)	(43 462)
Finance income	(8)	865 991	1 134 276
Finance costs	(9)	(2 808 139)	(2 677 268)
Profit before tax		**6 643 216**	**6 265 855**
Corporate income tax	(10)	(1 064 798)	(1 162 860)
Net profit		**5 578 419**	**5 102 995**
Earnings per share (in cents)			
Basic	(11)	74.41	68.07
Diluted	(11)	74.41	68.07

STATEMENT OF COMPREHENSIVE INCOME

	Notes	2010 Eur	2009 Eur
Net profit		**5 578 419**	**5 102 995**
Other comprehensive income / (loss)			
Revaluation of property, plant and equipment	(12)	-	(6 288 129)
Changes in deferred income tax liabilities resulted to revaluation of property, plant and equipment	(10)	2 733	943 219
Changes in fair value of financial instruments	(19)	182 813	(474 486)
Changes in deferred income tax liabilities resulted to changes of fair value of derivatives	(10)	(27 423)	71 173
Other comprehensive income / (loss)		**158 124**	**(5 748 223)**
Total comprehensive income / (loss)		**5 736 542**	**(645 228)**

Notes on pages 13 to 37 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

	Notes	31.12.2010. Eur	31.12.2009. Eur
ASSETS			
Non-current assets			
Intangible assets	(12)	7 507	379
Property, plant and equipment	(12)	22 739 992	24 222 116
Loans to group companies	(24g)	25 300 000	35 300 000
Other non-current assets		34 149	34 149
Total non-current assets:		**48 081 647**	**59 556 643**
Current assets			
Inventories	(13)	21 393 361	24 517 776
Trade receivables	(14)	577 224	738 556
Receivables from group companies	(24g)	48 478 226	28 245 962
Other current assets	(15)	554 571	535 193
Corporate income tax	(10)	-	536 955
Cash and cash equivalents	(16)	146 546	572 608
Total current assets:		**71 149 928**	**55 147 049**
Total assets		**119 231 575**	**114 703 692**

	Notes	31.12.2010. Eur	31.12.2009. Eur
EQUITY AND LIABILITIES			
Equity			
Share capital	(17)	10 667 128	10 667 128
Share premium		87 887	87 887
Revaluation reserves of non-current assets	(12)	11 860 184	11 875 668
Revaluation reserves of derivative financial instruments	(19)	(247 923)	(403 313)
Retained earnings		38 958 974	33 362 339
Total equity:		**61 326 250**	**55 589 708**
Liabilities:			
Non-current liabilities:			
Borrowings	(18)	12 808 709	16 550 765
Deferred income tax liabilities	(10)	1 899 330	2 002 903
Derivative financial instruments	(19)	291 673	474 486
Total non-current liabilities:		**14 999 713**	**19 028 154**
Current liabilities:			
Borrowings	(18)	21 721 373	20 459 307
Trade payables		4 783 977	5 476 153
Payables to group companies	(24g)	2 084 672	837 454
Current income tax payables	(10)	100 066	-
Other liabilities	(20)	14 215 524	13 312 915
Total current liabilities:		**42 905 612**	**40 085 829**
Total liabilities:		**57 905 325**	**59 113 985**
Total equity and liabilities:		**119 231 575**	**114 703 692**

Notes on pages 13 to 37 are an integral part of these financial statements.

Kārlis Andersons
Chairman of the Board

Riga, 14 April, 2011

STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Revaluation reserves of non-current assets	Revaluation reserves of derivative financial instruments	Retained earnings	Total
	Eur	Eur	Eur	Eur	Eur	Eur
31.12.2008.	**10 667 128**	**87 887**	**17 220 578**	**-**	**28 259 344**	**56 234 936**
Net profit	**-**	**-**	**-**	**-**	**5 102 995**	**5 102 995**
Changes in fair value of derivative financial instruments	-	-	-	(474 486)	-	(474 486)
Revaluation of property, plant and equipment	-	-	(6 288 129)	-	-	(6 288 129)
Changes in deferred income tax liabilities	-	-	943 219	71 173	-	1 014 392
Total comprehensive income	**-**	**-**	**(5 344 910)**	**(403 313)**	**5 102 995**	**(645 228)**
31.12.2009.	**10 667 128**	**87 887**	**11 875 668**	**(403 313)**	**33 362 339**	**55 589 708**
Net profit	-	-	-	-	**5 578 419**	**5 578 419**
Changes in fair value of derivative financial instruments	-	-	-	182 813	-	182 813
Changes in deferred income tax liabilities	-	-	2 733	(27 423)	-	(24 690)
Revaluation of property, plant and equipment	-	-	(18 217)	-	18 217	-
Total comprehensive income	-	-	**(15 484)**	**155 390**	**5 596 636**	**5 736 542**
31.12.2010.	**10 667 128**	**87 887**	**11 860 184**	**(247 923)**	**38 958 974**	**61 326 250**

STATEMENT OF CASH FLOW

	Notes	2010 Eur	2009 Eur
Cash flow from operating activities			
Cash granted from operations	(21)	6 392 037	6 900 248
Interest paid		(1 699 869)	(2 376 589)
Income tax paid		(1 014 099)	(1 979 599)
Net cash flow generated from operating activities from continuing operations		**3 678 068**	**2 544 061**
Cash flow from investing activities			
Acquisition of property, plant and equipment		(842 922)	(1 497 359)
Loans granted		(620 372)	(3 955 584)
Loans repayment received		-	3 153 084
Loans interest received		267 094	20 504
Net cash flow generated from investing activities from continuing operations		**(1 196 200)**	**(2 279 355)**
Cash flow from financing activities			
Changes in credit lines (net)		1 338 544	7 051 255
Borrowings repaid		(4 246 474)	(7 034 749)
Net cash flow generated from financing activities from continuing operations		**(2 907 930)**	**16 505**
Net increase / (decrease) in cash and cash equivalents		**(426 062)**	**281 211**
Cash and cash equivalents at the beginning of the financial year		**572 608**	**291 397**
Cash and Cash equivalents at the end of the financial year	(16)	**146 546**	**572 608**

Notes on pages 13 to 37 are an integral part of these financial statements.

Kārlis Andersons
Chairman of the Board

Riga, 14 April, 2011

NOTES TO THE FINANCIAL STATEMENTS

I. GENERAL INFORMATION

The Company is the biggest producer of alcoholic drinks in the Baltic States. In total, AS Latvijas balzams produces more than 130 different names of alcoholic drinks. The largest shareholder of the Company, who owns 89,53% of the Company's share capital, is S.P.I. Regional Business Unit B.V. (previous name S.P.I. Distilleries B.V.), which is incorporated in the Netherlands.

AS Latvijas balzams is a joint-stock company, which is incorporated and has its registered office in Latvia. The Company was founded in 1900, but acquired its current name in 1970. Registered address of the Company is at 160 A. Čaka Street, Riga, LV-1012, Republic of Latvia. Shares of AS Latvijas balzams are quoted on second list of the Riga Stock Exchange.

The current financial year of the Company is from 1 January 2010 up to 31 December 2010.

These financial statements were authorized for issue by the Board of Directors of the Company on 29 April 2011, and Chairman of the Board Karlis Andersons signed these for and on behalf of the Board of Directors.

The auditor of the Company is Baker Tilly Baltics SIA.

II. ACCOUNTING POLICIES

(1) Basis of preparation

These financial statements have been prepared in accordance with the EU-approved International Financial Reporting standards.

The financial statements have been prepared on the basis of cost accounting method modified in revaluation of the property, as represented in Note (6) to accounting policies and evaluation of derivative financial instruments at fair value, as represented in Note (11) to accounting policies.

Preparation of the financial statements in compliance with the IFRS requires critical assumptions. Moreover, preparation of the statements requires from the Management to make estimates and judgments applying the accounting policies adopted by the Company. Critical estimates and judgments are represented in note (20) to accounting policies.

a) Standards, amendments and interpretations effective in the current year

There are no amendments to existing standards and interpretations effective in 2010 that would be relevant to the Company's financial statements.

b) Standards, amendments and interpretations that are effective from 1 January 2010, but not relevant for operations of the Company

IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items - Amendments (effective for financial years beginning on or after 1 July 2009).
The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as hedged item. This amendment does not have any material effect to the Company's financial statements.

IFRS 3 Business Combinations and IAS 27 Consolidated and Separate Financial Statements - Amendments (effective for financial years beginning on or after 1 July 2009). As the Company holds no investments in subsidiaries the revised standards do not have any impact to Company's financial statements.

IFRIC 9 and IAS 39 Embedded Derivatives - Amendment issued in March 2009 (effective for annual periods beginning on or after 30 June 2009, amendments to IFRIC 9 and IAS 39 as adopted by the EU is effective for annual periods beginning after 31 December 2009).

IFRS 1 First-time Adoption of IFRS - Revised in December 2008 (effective for annual periods beginning on or after 1 July 2009, restructured IFRS 1 as adopted by the EU is effective for annual periods beginning after 31 December 2009).

IFRS 1 First-time Adoption of IFRS - Additional Exemptions for First-time Adopters - Amendments (effective for annual periods beginning on or after 1 January 2010).

IFRS 2 - Group settled Share-based Payment Transactions - Amendments (effective for annual periods beginning on or after 1 January 2010, not yet adopted by EU).

IFRIC 12 Service Concession Arrangements (IFRIC as adopted by the EU is effective for annual periods beginning on or after 30 March 2009).

IFRIC 15 Agreements for the Construction of Real Estate (effective for annual periods beginning on or after 1 October 2008, IFRIC 15 as adopted by the EU is effective for annual periods beginning after 31 December 2009).

IFRIC 16, Hedges of a net investment in a foreign operation (effective for annual periods beginning on or after 1 October 2008, IFRIC 16 as adopted by the EU is effective for annual periods beginning after 30 June 2009).

IFRIC 17, Distribution of Non-Cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009, IFRIC 17 as adopted by the EU is effective for annual periods beginning after 31 October 2009).

IFRIC 18, Transfers of Assets from Customers (effective for annual periods beginning on or after 1 July 2009, IFRIC 18 as adopted by the EU is effective for annual periods beginning after 31 October 2009).

Improvements to IFRS issued in April 2009
Amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 are effective for annual periods beginning on or after 1 July 2009, amendments to IFRS 5, IFRS 8, IAS 1, IAS 17, IAS 36, and IAS 39 are effective for annual periods beginning on or after 1 January 2010, the amendments as adopted by EU are effective for annual periods beginning on or after 1 January 2010). Improvements consist of a mixture of substantive changes and clarifications in the different areas. The amendments do not have significant impact to the Company's financial statements.

c) Standards, amendments and interpretations, which are not yet effective and not yet adopted by the Company

IAS 24, Related Party Disclosures - Amendments (effective for annual periods beginning on or after 1 January 2011, not yet adopted by the EU).
The amended standard simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. The Company does not expect the amendment to have any material effect on its financial statements.

IFRS 9, Financial Instruments Part 1: Classification and Measurements, issued in November 2009 (effective for annual periods beginning on or after 1 January 2013, not yet adopted by the EU).
The IFRS 9 replaces those parts of IAS 39 relating to the classification and measurement of financial assets. The Company is considering the implications of the standard, the impact on the Company's financial statements and the timing of its adoption.

Improvements to IFRS issued in May2010
Amendments to IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34 and IFRIC 13. Most of are effective for annual periods beginning on or after 1 January 2011, not yet adopted by the EU). Improvements consist of a mixture of substantive changes and clarifications in the different areas. The Company does not expect the amendments to have any material effect on its financial statements.

d) Standards, amendments and interpretations that are not yet effective and not relevant for operations of the Company

IAS 32 Classification of Rights Issues - Amendment issued in October 2009 (effective for annual periods beginning on or after 1 February 2010).

IFRS 7 Limited exemption from comparative disclosures for first-time adopters - Amendments to IFRS 1 (effective for annual periods beginning on or after 1 July 2010, not yet adopted by the EU).

IFRIC 14 - Prepayments of a Minimum Funding Requirements - Amendment (effective for annual periods beginning on or after 1 January 2011, not yet adopted by EU).

IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010, not yet adopted by EU).

(2) Foreign currencies

(a) Functional and presentation currency
Items shown in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the functional currency). Financial statements are presented in Latvian lat (Ls), which is the Company’s functional and presentation currency.

In accordance with the Riga Stock Exchange requirements all balances are presented in Euro (EUR). For the purposes of disclosures translation is performed applying the official exchange rate adopted by the Bank of Latvia EUR / LVL (1 EUR = LVL 0.702804) for the period from 1 January 2010 to 31 December 2010.

(b) Transactions and balances
All foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement for the period.

Exchange rates used at the year-end are as follows:

	31.12.2010.	**31.12.2009.**
	Eur	**Eur**
1 USD	0.535	0.489
1 EUR	0.702804	0.702804
1 LTL	0.203	0.204
1 EEK	0.0449	0.0449

(3) Segment disclosure

An operation segment is a component of entity which qualifies for the following criteria: (i) engages in business activities from which it may earn revenues and incur expenses; (ii) whose operation results are regularly reviewed by the Company's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and (iii) for which discrete financial information is available.

Operation segments are reported in a manner consistent with the internal reporting provided to the Company's chief operating decision maker being the Board.

(4) Income recognition

Main operation of the Company is the production and sale of alcoholic drinks. Net sales represent the total of goods and services sold during the year net of discounts, value added tax and excise tax.

Income from sales of goods in Latvia is recognised when the customer has accepted the goods. Income from sales of goods outside Latvia is recognised in accordance with the goods delivery terms. Income from penalties is recognised at the moment of receipt. Income from provision of services is recognised based on the stage of completion method.

Interest income or expenses are recognised in the income statement for all loans and borrowings assessed at amortised cost applying the effective interest rate method.

(5) Intangible assets

Intangible assets, in general, consist of licenses and patents. Intangible assets are recognised at the cost of acquisition less accumulated amortisation. Amortisation is calculated from the moment the assets are available to use. Amortisation of intangible assets is calculated using the straight-line method to allocate amounts to their residual values over their estimated useful lives, as follows:

	Years
Licenses and patents	3-5

Where the carrying amount of an intangible asset exceeds its recoverable amount, it is written down immediately to its recoverable amount. Recoverable amount exceeds the fair value of the relevant intangible asset less selling or use expenses.

(6) Property, plant and equipment (tangible assets)

Buildings are recognised at their fair value on the basis of assessment made by independent valuator from time to time less accumulated depreciation. Accumulated depreciation is liquidated as of revaluation date, net sum is charged to the revaluated cost. Land is recognised at their fair value on the basis of assessment made by independent valuator from time to time. Other assets are recognised at their acquisition value less accumulated depreciation. Acquisition value includes the costs directly related to acquisition of the asset.

Subsequent costs are recognised in the asset’s carrying amount or as a separate asset only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Other repairs and maintenance are recognised as an expense during the financial period when they are incurred.

Increase in value arising on revaluation is recognised in equity under “Revaluation reserve of non - current assets”, but decrease that offsets a previous increase of the same asset’ s value (net of deferred tax) recognised in the said reserve is charged against that reserve; any further decrease is recognised as an expense for the year incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revaluated amounts to their residual values over their estimated useful live, as follows:

	Years
Buildings	10 - 71
Technological equipment	2 - 25
Other machinery and equipment, transport vehicles	2 - 25

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each end of the financial year.

Where the carrying amount of an asset exceeds its estimated recoverable amount, it is written down immediately to its recoverable amount. The decrease is reflected as the expenses or recognised in reserves in case the asset was previously re-valued.

Costs of borrowing to finance assets under construction and other direct charges related to the particular asset under construction are capitalized during the time that is required to complete and prepare the asset for its intended use as part of the cost of the asset. Capitalization of the borrowing costs is suspended during extended periods in which active developments are interrupted.

Gains or losses on disposals are determined by comparing the proceeds with the carrying amounts and are recognised within the income statement for the relevant period. As soon as the re-valued assets are sold, values in the "Revaluation reserve of non- current assets" are charged to the retained earnings.

(7) Impairment of tangible and intangible assets

All tangible and intangible assets of the Company have their estimated useful lives and they are amortised or depreciated. Assets that are subject to amortisation and depreciation are revaluated every time when events or circumstances evidence of probable non-recoverability of their carrying amount. Loss from value decrease is recognised at difference between book value of the asset and its recoverable value. Recoverable value is the higher of an asset's fair value less costs to sell and its value in use. In order to determine decrease of the value, assets are classified based on the lower level of identifiable cash flows (cash-bearing units). Assets, which value has been decreased, are assessed at the end of every reporting year to identify the probable value decrease reservation.

(8) Lease without redemption rights (operating lease)

Assets that are leased to operating leases, are disclosed in tangible assets at purchase price or revalue value, less depreciation. Depreciation is calculated on the straight-line basis over the period of useful life of the appropriate tangible asset, to write off the value of tangible asset until its estimated book value at the end of the period of useful life by using the rates specified for similar tangible assets of the Company.

(9) Inventories

The inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. When the net realizable value of inventories is lower than their cost, provisions are created to reduce the value of inventories to their net realizable value.

(10) Loans and trade receivables

Loans and trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the assets carrying amount and the present value of estimated future cash flows, discounted at the original effective rate. Changes in impairment are recognised in the income statement.

(11) Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently revalued at their fair value. The method of recognising the resulting gain and loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Currently, the Company designates derivatives as hedges of a interest rates changes of its borrowings (cash flow hedge).

The effective portion of changes in the fair value of derivatives that are designated and qualify for cash flow hedges is recognised in equity item "Revaluation reserves of derivative financial instruments". The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are reclassified in the income statement in the periods when the hedged item effects profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within "Finance costs". The gain or loss relating to the ineffective portion is recognised in the income statement within "Other expenses".

(12) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash and the balances of the current bank account.

(13) Share capital and dividends

Ordinary shares are classified as equity. Dividends to be paid to shareholders of the Company are represented as liabilities during the financial period of the Company, when shareholders of the Company approve the dividends.

(14) Borrowings

Borrowings are recognised initially at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of financial year.

(15) Pension obligations

The Company pays social security contributions for state pension insurance and to the state funded pension scheme in accordance with Latvian laws. State funded pension scheme is a defined contribution plan under which the Company pays fixed contributions determined by the law and they will have no legal or constructive obligations to pay further contributions if the state pension insurance system or state funded pension scheme are not able to settle their liabilities to employees . The social security contributions are recognised as an expense on an accrual basis and are included in the staff costs.

(16) Accrued liabilities for unused annual leave

Amount of accumulated unused annual leave is determined by multiplying the average day rate of employees for the last six months of the financial year by the amount of accrued but unused annual leave at the end of the reporting year.

(17) Income tax

Corporate income tax is calculated in accordance with tax laws of the Republic of Latvia. Effective laws provide for 15% tax rate.

Deferred income tax is provided in full using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted by the year-end and are expected to apply when the deferred income tax is settled.

The principal temporary differences, in general, arise from different intangible and tangible assets depreciation rates as well as provisions for slow-circulating goods, accruals for unused annual leave and accruals for bonuses. Where an overall deferred income tax arises it is only recognised to the extent it is probable which the temporary differences can be utilised.

However, where the deferred income tax arise from recognition of the assets and obligations resulted from transactions, which are not the business dilution, and at the moment of transaction do not affect profit or loss neither in the financial statements nor for the taxation purposes, the deferred income tax is not recognised.

(18) Earnings per share

Earnings per share are determined dividing the net gains or losses attributable to shareholders of the Company by the average weighted quantity of the shares in the reporting year.

(19) Related parties

Related parties are defined as shareholders of the Company, who have a significant influence or control over the Company, members of the Board and the Council, their close relatives and companies, in which they have a significant influence or control.

(20) Critical accounting estimates and judgments

In order to prepare financial statements in accordance with IFRS it is necessary to make critical estimates. Therefore, preparing these financial statements the Management must make estimates and judgments applying the accounting policies adopted by the Company.

Preparation of financial statements in compliance with IFRS require estimates and assumptions affecting value of assets and liabilities recognised in the financial statements, and disclosures in the notes at the year-end as well as income and expenditures recognised in the reporting period. Actual results may differ from these estimates. Scopes, the most-affected by assumptions are revaluation of the land and building, determination of revaluation regularity, as well as recoverable amount of receivables and inventories as disclosed in the relevant notes.

a) Revaluation of land and buildings

Management of the Company determines fair value of the assets based on assessment made by independent certified valuators in accordance with the property valuation standards and based on observable market price as well as future cash flow and construction costs methods.

The Management believes that assets must be revaluated at least once in 5 years or earlier if any indicators show the potential material changes in market values. The last revaluation of real estate assets has been made during the preparation of the 2009 financial statements. As to the Managements estimates during the reporting period no factors were identified, that would give rise to potential material changes in market value, due to this no procedures for revaluation of land and buildings were performed. The total carrying amount of land and buildings as at 31 December 2010 is EUR 17 838 121 (31.12.2009. - EUR 18 321 427).

b) Estimates of assets useful life

In estimating useful life of tangible assets the management relies on the historical information, technical survey of the current condition and external evaluations. In 2009 while performing procedures for determining market value of buildings, the technical conditions of the building and estimated useful life were reassessed and a decision was made to revise the useful life of the building. Effect of the change in the useful life is disclosed in Note (12) of the financial statement. Tangible asset balance value as at 31 December 2010 is EUR 22 507 295 (31.12.2009. - EUR 24 079 213).

c) Recoverable receivables

The calculation of recoverable value is assessed for every customer individually. Should individual approach to each customer be impossible due to great number of the customers only bigger receivables shall be assessed individually. Receivables not assessed individually are arranged in groups with similar indicators of credit risks and are assessed jointly considering historical losses experience. Historical losses experience is adjusted on the basis of current data to reflex effect of the current conditions that did not exist at acquisition of the historical loss, effect and of conditions in the past that do not exist at the moment. Information on amount and structure of receivables is disclosed in Note (28) of the financial statements.

d) Valuation of inventories

In valuation of inventories the Management relies on the knowledge, considering the historical experience, general information, probable assumptions and future occurrences. Determining impairment of inventories, realization probability and net selling value of the inventories shall be considered. The total carrying amount of inventories as at 31 December 2010 is EUR 21 393 361 (31.12.2009 - EUR 24 517 776).

III. OTHER NOTES

(1) Segment Information and net sales

(a) Operation and reportable segment

Core activity of the Company is production of alcoholic drinks. AS Latvijas balsams produces over 130 different types of drinks. Since the Company’s core activity is mainly the production of alcoholic drinks, the Company has only one operation and reportable segment. Operation segments are reported in a manner consistent with the internal reporting provided to the Company's chief operating decision maker being the Board.

(b) Geographical markets

The Company operates in Latvia by selling the produced drinks in the domestic market, as well as exports the produced drinks.

The operations of the Company can be divided into three geographical segments, which are sales in Latvia, sales to overseas markets, executing S.P.I Spirits (Cyprus) Ltd orders and other export sales. Distribution of sales among these segments is as follows:

	2010	**2009**
	Eur	**Eur**
Sales in Latvia	24 325 076	27 799 800
Export sales under S.P.I. Group company's S.P.I. Spirits (Cyprus) Ltd. orders	41 267 116	40 568 603
Other income from export sales		
Lithuania	4 516 757	6 300 456
Russia	1 418 411	1 467 724
Estonia	899 790	913 357
Poland	329 261	462 462
Norway	416 098	363 238
Belarus	-	284 653
Other countries	1 185 836	950 734
Other income from export sales (total)	8 766 152	10 742 624
	74 358 345	**79 111 027**

(c) Major customers

Most of the Company's sales transactions in domestic markets as well as sales to overseas markets are made though S.P.I. Group companies. The information on transactions with Group entities is disclosed in Note (24). There are no non-related clients with whom the amount of transactions would be 10% or more of total revenues.

	2010	**2009**
	Eur	**Eur**
Sales to S.P.I. group companies	71 312 483	75 162 189
Sales to other customers	3 045 861	3 948 838
	74 358 345	**79 111 027**

(2) Cost of sales	2010 Eur	2009 Eur
Materials	48 465 410	52 175 733
Salary expense	2 147 374	2 489 192
Energy resources	755 966	845 766
Changes of inventory value of finished goods	551 434	(320 257)
Mandatory state social insurance contributions	514 189	597 297
Natural recourse tax	389 316	444 303
Increase in provisions for accounts receivable, inventories and other accrued liabilities	159 012	78 895
Goods purchased	80 862	172 493
Accrued expenses on unused annual leave (variable)	57 860	(49 724)
Other variable costs	1 423 911	1 637 394
Variable costs total:	***54 545 333***	***58 071 094***
Depreciation of non-current assets	1 827 127	1 914 078
Salary expenses	1 123 184	1 346 970
Repair expenses	501 585	503 827
Mandatory state social insurance contributions	266 185	321 572
Insurance payments	92 138	109 109
Laboratory expenses	48 107	61 239
Accrued expenses on unused annual leave (fixed)	3 510	(115 674)
Net losses from revaluation of tangible assets	-	347 642
Other fixed expenses	755 033	1 019 037
Fixed costs total:	***4 616 869***	***5 507 800***
	59 162 202	**63 578 894**

(3) Distribution expenses		
Advertising expenses	1 459 240	1 720 609
Salary expenses	1 528 916	1 678 260
Transportation expenses	617 071	638 780
Mandatory state social insurance contributions	364 767	401 271
Depreciation of non-current assets	343 153	429 410
Warehouse maintenance expenses	322 397	502 045
Accrued expenses on unused annual leave	7 315	(36 857)
Other expenses	405 703	471 609
	5 048 563	**5 805 128**

(4) Administrative expenses		
Salary expenses	1 468 812	1 563 370
Management services and expenses	519 254	787 974
Mandatory state social insurance contributions	342 390	368 628
Professional fees	122 985	96 068
Real estate tax	111 791	118 389
Depreciation of non-current assets	103 411	217 024
Representation expenses	88 814	64 540
Office expenses	77 162	74 588
Communication and postal expenses	54 462	61 275
Business trip expenses	37 592	36 445
IT maintenance	31 400	35 176
Financial support, sponsorship	32 128	22 766
Transportation expenses	25 109	40 784
Accrued expenses on unused annual leave	(15 030)	(22 544)
Healthcare, health insurance	9 313	10 159
Employee training	5 112	8 093
Other expense	215 315	183 485
	3 230 021	**3 666 220**

(5) Other income	2010 Eur	2009 Eur
Income from other services rendered	590 771	453 154
Income form services rendered in warehouses of excise tax goods	454 869	457 748
Income from production supporting services rendered	422 084	-
Income from lease of warehouse and office premises	244 169	321 091
Sold consumable materials	145 840	80 959
Sold packages, boxes and pallets	10 255	8 561
Other income	129 873	470 010
	1 997 860	**1 791 524**

(6) Other expenses		
Bank commissions	111 138	115 236
Other expenses	218 917	(71 774)
	330 055	**43 462**

(7) Expenses by Nature		
Materials	48 465 410	52 175 733
Employee expenses	7 809 472	8 541 763
Depreciation of non-current assets	2 273 691	2 561 246
Advertising expenses	1 459 240	1 720 609
Transportation expenses	642 180	679 564
Management services and expenses	519 254	787 974
Repair expenses	501 585	503 828
Natural recourse tax	389 316	444 303
Increase in provision for accounts receivables, inventories and other accrued liabilities	159 012	78 895
Real estate tax	88 814	118 389
IT maintenance expenses	31 400	35 176
Net losses from revaluation of tangible assets	-	347 642
Other expenses	5 408 489	5 098 582
	67 747 864	**73 093 703**

(8) Finance income		
Interest income	856 031	1 132 848
Income from fines and penalties	9 960	1 429
	865 991	**1 134 276**

(9) Finance expenses		
Net loss from exchange rate fluctuations	887 891	184 640
Interest for use of credit lines facilities	762 453	1 327 983
Interest for long-term loan	556 654	814 386
Net loss for hedging activities	312 908	296 339
Net loss from purchase - sale of foreign currency	288 233	53 920
	2 808 139	**2 677 268**

(10) Corporate income tax

a) **Components of corporate income tax**	**2010 Eur**	**2009 Eur**
Changes in deferred income tax	(128 262)	75 939
Corporate income tax according to the tax return	1 193 060	1 086 922
	1 064 798	**1 162 860**

b) Reconciliation of accounting profit to income tax charges

The actual corporate tax expenses consisting of corporate income tax as per tax return and changes in deferred tax differ from the theoretically calculated tax amount for:

	2010 Eur	**2009 Eur**
Profit before taxes	6 643 216	6 265 855
Theoretically calculated tax at 15% tax rate	**996 482**	**939 878**
Tax effects on:		
Non-deductible expenses for tax purposes	132 974	82 258
Tax discounts for donations	(26 003)	(19 351)
Tax discounts for reinvested profits	(38 655)	-
Tax relief for the acquired technological equipment	-	(41 087)
Changes in recognition of temporary differences for other accruals	-	201 163
Total corporate tax charge	**1 064 798**	**1 162 861**

c) Movement and components of deferred tax

Deferred tax liabilities (asset) at the beginning of the financial year	2 002 903	2 941 356
Deferred tax changes charged to the income statement	(128 262)	75 939
Changes in deferred tax recognised in non-current investment (tangible assets) revaluation reserve	(2 733)	(943 219)
Changes in deferred tax recognised in derivative financial instruments revaluation reserve	27 423	(71 173)
Deferred tax liabilities (asset) at the end of the financial year	**1 899 330**	**2 002 903**

The deferred company income tax has been calculated from the following temporary differences between value of assets and liabilities in the financial statements and their tax base (tax effect 15% from temporary differences):

	31.12.2010. Eur	**31.12.2009. Eur**
Temporary difference on depreciation of tangible and intangible assets	2 295 656	2 382 041
Gross deferred tax liabilities	**2 295 656**	**2 382 041**
Temporary difference on provisions for slow moving and obsolete stock	(263 298)	(243 688)
Temporary difference on accruals for annual leave	(69 126)	(61 078)
Temporary difference on provision for doubtful receivables		
Tax losses carried forward		
Temporary difference on derivative financial instruments revaluation reserve	(43 750)	(71 173)
Temporary differences in accrued liabilities	(20 152)	(3 199)
Gross deferred tax assets	**(396 326)**	**(379 138)**
Net deferred tax liability (assets)	**1 899 330**	**2 002 903**

The Company offsets the deferred tax assets and the deferred tax liabilities only when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax is related to the same taxation authority. The offset amounts are as follows:

	31.12.2010. Eur	31.12.2009. Eur
Deferred tax assets:		
deferred tax asset to be recovered within a year	(381 743)	(335 388)
deferred tax liabilities to be recovered after more than a year	(14 583)	(43 750)
	(396 326)	(379 138)
Deferred tax liabilities:		
deferred tax liabilities to be recovered within a year	169 346	104 338
deferred tax liabilities to be recovered after more than a year	2 126 310	2 277 704
	2 295 656	2 382 041
Net deferred tax liabilities (assets)	**1 899 330**	**2 002 903**

The movement of deferred tax assets and liabilities during the reporting year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Derivative financial instruments	Accelerated depreciation and property revaluation	Accruals for unused annual leave	Expected liabilities	Provisions for slow moving stock	Total
	Eur	Eur	Eur	Eur	Eur	Eur
31.12.2008	-	**3 462 170**	**(94 797)**	**(200 244)**	**(225 773)**	**2 941 356**
Charged / (credited) to income statement	-	(136 910)	33 719	197 045	(17 915)	75 939
Charged / (credited) to equity	(71 173)	(943 219)	-	-	-	(1 014 392)
31.12.2009	**(71 173)**	**2 382 041**	**(61 078)**	**(3 199)**	**(243 688)**	**2 002 903**
Charged / (credited) to income statement	-	(83 651)	(8 048)	(16 954)	(19 610)	(128 262)
Charged / (credited) to equity	27 423	(2 733)	-	-	-	24 690
31.12.2010	**(43 750)**	**2 295 657**	**(69 126)**	**(20 152)**	**(263 298)**	**1 899 330**

(11) Earnings per Share (Expressed in cents per Share)

Since the Company has not executed any transactions that could cause changes in the share capital, which would change the amount of earning per share, the adjusted earnings per share is equivalent to the basic earnings per share.

Earnings per share are calculated by dividing the net profit of the reporting year by the average number of shares in the reporting year.

	2010	2009
Profit attributed to shareholders of the Company (EUR)	5 578 419	5 102 995
Average annual number of shares	7 496 900	7 496 900
Earnings per share (expressed in cents)	**74.41**	**68.07**

(12) Intangible assets and property, plant and equipment

		Property, plant and equipment					
	Intangible assets	**Lands and buildings**	**Equipment and machinery**	**Other assets**	**Assets under construction**	**Advances for property, plant and equipment**	**Total property, plant and equipment**
	Eur	**Eur**	**Eur**	**Eur**	**Eur**	**Eur**	**Eur**
31.12.2008.							
Initial cost/ revaluated	1 656 286	28 500 293	18 577 003	4 654 252	528 970	243 997	52 504 515
Accumulated depreciation	(1 653 373)	(3 567 995)	(13 135 225)	(3 725 998)	-	-	(20 429 218)
Net book value	**2 913**	**24 932 298**	**5 441 778**	**928 255**	**528 970**	**243 997**	**32 075 297**
2009							
Opening net book value	2 913	24 932 298	5 441 778	928 255	528 970	243 997	32 075 297
Acquired	-	-	-	-	-	1 552 733	1 552 733
Revaluated	-	(6 635 770)	-	-	(69 413)	-	(6 705 184)
Disposed	-	(62 867)	(6 329)	(472)	(2 866)	(69 485)	(142 018)
Reclassified	-	1 138 394	663 521	239 118	(320 223)	(1 720 810)	-
Depreciation	(2 534)	(1 050 629)	(1 119 358)	(388 726)	-	-	(2 558 712)
Closing book value	**379**	**18 321 427**	**4 979 612**	**778 174**	**136 468**	**6 436**	**24 222 116**
31.12.2009.							
Initial cost/ revaluated	1 656 285	18 365 264	19 106 237	4 849 314	136 468	6 436	42 463 718
Accumulated depreciation	(1 655 907)	(43 837)	(14 126 626)	(4 071 139)	-	-	(18 241 602)
Net book value	**379**	**18 321 427**	**4 979 612**	**778 174**	**136 468**	**6 436**	**24 222 116**
2010							
Opening net book value	379	18 321 427	4 979 612	778 174	136 468	6 436	24 222 116
Acquired	-	-	-	-	-	886 580	886 580
Disposed	-	(8 929)	(34 479)	(821)	-	(43 659)	(87 888)
Reclassified	9 076	392 235	245 255	106 562	48 592	(801 720)	-
Depreciation	(1 948)	(866 611)	(1 097 916)	(307 212)	-	-	(2 271 740)
Closing book value	**7 507**	**17 838 121**	**4 092 471**	**576 703**	**185 060**	**47 636**	**22 749 068**
31.12.2010.							
Initial cost/ revaluated	1 665 362	18 721 784	19 222 105	4 907 274	185 060	47 636	43 083 860
Accumulated depreciation	(1 657 855)	(883 663)	(15 129 634)	(4 330 572)	-	-	(20 343 868)
Net book value	**7 507**	**17 838 121**	**4 092 471**	**576 703**	**185 060**	**47 636**	**22 739 992**

a) Revaluation of land and building

Preparing the 2009 financial statements the Company completed the revaluation of land and buildings. Real estate was measured at market value, the assessment was prepared by an independent evaluator Reeksperts SIA. The real estate market value was determined using the comparable transaction method, discounted cash flow and construction cost methods.

As the result of revaluation the decrease of the assets fair value of EUR 6 635 770 had been recognized, where EUR 6 288 129 had been charged against the previous year revaluation surplus, while impairment of EUR 347 642 was recognized in income statement of 2009.

In 2010 the revaluation reserve of non-current assets has been decreased by EUR 18 217 for disposed assets revaluation difference charged durectly to retained earnings. Total revaluation surplus of tangible assets on 31 December 2010 was EUR 13 971 378. (31.12.2009. - EUR 13 971 378). Revaluation amount less the attributable deferred income tax liabilities is recognizes in equity in the revaluation reserve of non- current assets. The previous revaluation of buildings and constructions was performed in 2005 - 2006.

The value of land plots after revaluation is EUR 5 431 thousand (31.12.2009 EUR 5 431 thousand). If the land plots would not have been revalue, than on December 31 2010 the book value of the land plot would be EUR 901 thousand (31.12.2009 - EUR 901 thousand).

The book value of revalue buildings on 31 December 2010 is EUR 12 407 thousand (31.12.2009 - EUR 12 890 thousand). If the revaluation would not have been performed, the residual value of buildings on 31 December 2010 would be EUR 7 176 thousand (31.12.2009 - EUR 7 584 thousand).

b) Effect of changes in estimates

The Company in 2010 evaluated the buildings and premises technical conditions, as a result of which was identified, that actual useful life is longer the previously estimated. In 2010 building and premises calculated depreciation, that is recognized to income statement amounts to EUR 866 611. If the changes in the useful life would not been performed the depreciation charged to income statement would amount to EUR 1 503 718.

c) Other comments

During the 2009 the borrowing costs has not been capitalized, as the Company didn't use the financing for the acquisition of tangible assets.

All intangible and property, pplant and equipment assets of the Company are pledged under conditions of the agreement of the Mortgage and Commercial pledge as the security for loans in favour of the credit institutions (see Note (18)).

(13) Inventories	**31.12.2010.** **Eur**	**31.12.2009.** **Eur**
Raw materials and consumables	8 451 803	11 298 389
Finished goods and goods for sale	6 636 258	6 958 384
Excise tax stamps	5 673 649	5 462 618
Work in progress	631 651	740 879
Inventory in transit	-	57 505
	21 393 361	**24 517 776**

All inventories of the Company are pledged in accordance with terms of Mortgage and Commercial pledge agreements as security for loans from the credit institutions (see Note (18)).

	2010 **Eur**	**2009** **Eur**
Provisions at the beginning of the year	1 624 590	1 675 985
Changes on provisions shown in the income statement	130 736	(51 396)
Provisions at the end of the year	**1 755 326**	**1 624 590**

(14) Trade receivables	**31.12.2010.** **Eur**	**31.12.2009.** **Eur**
Book value of trade receivables	1 090 833	1 223 889
Provisions for impairment of trade receivables	(513 610)	(485 333)
	577 224	**738 556**

	2010 Eur	2009 Eur
Provisions at the beginning of the year	485 333	3 465 491
Receivables written off as uncollectible	-	(2 951 133)
Provisions	36 901	20 945
Paid during the year	(8 624)	(49 970)
Provisions at the end of the year	**513 610**	**485 333**

(15) Other current assets

	Eur	Eur
Advances for raw materials	380 840	331 089
Advances for services	61 855	72 646
Other deferred expenses	59 486	67 041
VAT accepted	27 793	33 228
Deferred insurance costs	21 010	27 242
Other receivables	3 587	3 946
	554 571	**535 193**

(16) Cash and cash equivalents

Cash at bank on current accounts	106 183	544 917
Cash on hand	40 363	27 691
	146 546	**572 608**

(17) Share capital

As on 31 December 2010 the registered and fully paid share capital is in amount Ls 7 496 900, that consists of 7 496 900 ordinary shares with nominal value of Ls 1 each.

All shares owned by the main shareholder of the Company S.P.I. Regional Business Unit B.V., as well as any other shares that S.P.I. Regional Business Unit B.V. may acquire in the future are pledged in accordance with terms of Commercial pledge agreement as security for loans in favour of the credit institutions (see Note (18)).

(18) Borrowings

	31.12.2010. Eur	31.12.2009. Eur
Non-current		
AS Swedbank (previously Hansabanka) [b)]	9 571 303	11 950 806
Nordea Bank Finland Plc. Latvian branch [b), c)]	3 237 406	4 599 960
	12 808 709	**16 550 765**
Current		
Credit line facilities [a), d)]	17 557 461	16 218 917
AS Swedbank (previously Hansabanka) [b)]	2 801 357	2 877 836
Nordea Bank Finland Plc. Latvian branch [b), c)]	1 362 555	1 362 553
	21 721 373	**20 459 307**

The carrying value of borrowings does not materially differ from their fair value.

	2010 Eur	2009 Eur
At beginning of the year	37 010 072	37 019 321
Received borrowings during the year	1 338 544	7 051 254
Repaid borrowings during the year	(4 246 474)	(7 034 749)
Currency exchange rate fluctuation results	427 940	(25 754)
At the end of the year	**34 530 082**	**37 010 072**

a) 2004 year credit line

On 30 April 2004, a credit line agreement was signed with AS Swedbank and AS SEB Latvijas Unibanka for a credit line granting. According to assignment agreement of 24 July 2007, credit line of the Company has been refinanced to Nordea Bank Finland Plc. Latvian branch.

At the end of 2010 the limit of credit line granted by Nordea Bank Finland Plc is in amount EUR 8 975 881, which consists of EUR 3000000 and Ls 4 199 873. During the previous reporting year AS Swedbank had granted to Company a credit line facilities in multiple currencies. The limits of granted credit line in accordance with loan agreement are Ls 2 610 085 and EUR 5 612 184.

On 31 December 2010 the liabilities of the Company for above mentioned credit lines to Nordea Bank Finland Plc Latvian branch consists of Ls 4 046 143 and EUR 2 806 356, to AS Swedbank Ls 2 501 171 and EUR 5 435 117.

Credit lines last repayment date to Nordea Bank Finland Plc. Latvian branch is 30 December 2011, AS Swedbank 30 April 2011. The management is planning to prolong credit line facilities for one year.

b) 2007 year loans

On 24 July 2004 a loan agreement was signed with AS Swedbank and Nordea Bank Finland Plc. Latvian branch for a loan in amount of EUR 13 000 000, divided as EUR 7 000 000 provided by Nordea Bank Finland Plc. Latvian branch and EUR 6 000 000 AS Swedbank. In 2008 the Company signed amendments to the loan agreements for additional loan in the amount of EUR 1 500 000 to be provided under the previously mentioned agreement, the funds have been received in previous reporting periods.

During the reporting period loan agreements have been signed with AS Swedbank for additional financing in the amount of EUR 10500000. The additional funds is used to cover Company's liabilities against AS Swedbank, that arise form previously signed loan agreements dated 21 September 2005 and 30 April 2004.

On 31 December 2010 the debt of the Company for above mentioned loans to Nordea Bank Finland Plc Latvian branch are EUR 2 382 675, to AS Swedbank EUR 12 372 661.

c) 2004 year loans

On 30 April 2004 a long-term loan agreement was signed with AS Swedbank and AS SEB Latvijas Unibanka for a loan in amount of USD 12 500 000 and Ls 6 800 000. In accordance with signed agreement on 24 July 2007 the loan of the Company has been refinanced to Nordea Bank Finland Plc. Latvian branch, as a result Nordea Bank Finland Plc took over all obligations of AS SEB Unibanka and granted the Company a loan in the amount of EUR 4 500 000.

During the reporting period the Company repaid the liabilities to AS Swedbank for the previously mentioned loan, using the additional financing in accordance with he 24 July 2007 loan agreement amendments. The Company's liabilities to Nordea Bank Finland Plc Latvian branch as at 31 December 2010 are EUR 2 217 284. Loan from Nordea Bank Finland Plc Latvian branch is repayable till 30 June 2012.

d) 2005 year loans

On 21 September 2005 a credit agreement was signed with AS Swedbank for a loan in amount of EUR 20 667 200. At the end of the reporting period has been fully repaid using the additional financing received under 24 July 2007 loan agreement.

The effective interest rates at the balance sheet date were as follows:

	31.12.2010	**31.12.2009**
Loans	1.731% - 4.080%	1.663% - 2.478%
Credit line facilities	2.785% - 4.496%	9.381% - 10.471%

Borrowings made by the Company are exposed to the interest rate fluctuations in the following revaluation periods.

	31.12.2010 Eur	31.12.2009 Eur
6 months or less	34 530 082	37 010 073
	34 530 082	**37 010 073**

Maturity of the total borrowings is as follows:		
Payable in 1 year	21 721 373	20 459 307
Payable in 2 – 5 years	12 808 709	15 717 022
Payable in more than 5 years	-	833 743
	34 530 082	**37 010 072**

Fulfilment of the Company's liabilities is secured and enforced by:
(i) the mortgage of all real estate owned by the Company,
(ii) commercial pledge of all Company's assets as aggregation of property on the date of pledging as well as future parts of the aggregation of property,
(iii) all pledged shares of the Company, owned by the largest shareholder of the Company S.P.I. Regional Business B.V., and any other shares that S.P.I. Regional Business B.V. may acquire in the future.
Carrying value of the pledged assets of the Company as at 31 December 2010 is EUR 119 231 575 (31.12.2009. - EUR 114 703 693).

(19) Derivatives financial instruments and hedging activities

The Company uses hedge accounting for variable interest payments for received loans from Nordea Bank Finland Plc. for the period up to June 2012. With the derivative financial instruments the Company managed loan interest rate fixation to cover against the negative effects on Company's financial results from interest rate fluctuations. Derivative financial instruments are measured as highly effective and the Company uses the accounting policy for hedge accounting (see Note (11) in accounting policy).

The fair value of derivative financial instruments at the end of the reporting year is estimated in EUR 291 686 (31.12.2009. - EUR 474486). Liabilities on derivative financial instruments are classified as long-term as the period of swap contract is up to June, 2012. Effective part of the derivatives financial instruments, that is used and classified as cash flow hedge, less changes in deferred tax liabilities, is recognized in the in equity under "Revaluation reserve of derivative financial instruments".

(20) Other liabilities

	31.12.2010. Eur	31.12.2009. Eur
Excise tax	10 779 212	8 317 991
Value Added Tax	1 528 439	984 274
Accrued liabilities	618 419	2 733 698
Accruals for unused annual leave	460 841	407 185
Salaries	303 321	276 515
Deferred income	194 376	281 309
Mandatory State social insurance contributions	151 421	144 488
Personal income tax	111 925	93 407
Real estate tax	1 598	1 864
Other receivables	65 974	72 184
	14 215 524	**13 312 915**

(21) Cash granted from operations

	2010 Eur	2009 Eur
Profit before corporate income tax	6 643 216	6 265 855
Adjustments for:	-	-
depreciation and amortization (Note 12)	2 273 691	2 561 246
increase / (decrease) in provisions for stock impairment	159 012	(275 205)
loss / (profit) from foreign currency exchange rate fluctuations	427 940	(25 754)
interest expenses (Note 9)	1 632 015	2 438 708
interest income (Note 8)	(856 031)	(1 132 848)
loss / (profit) from revaluation of property	-	347 642
loss / (profit) from disposal of propoerty, plant and equipment	44 230	69 668
	-	-
Changes in working capital	-	-
inventories	1 668 626	3 538 156
receivables	(7 047 268)	(478 385)
liabilities	1 446 605	(6 408 835)
	-	-
	6 392 037	**6 900 248**

(22) Average number of employees

	2010	2009
Average number of people employed during the financial year	634	681

(23) Remuneration to personnel

	2010 Eur	2009 Eur
Salaries and mandatory State social insurance contributions for production personnel	4 112 302	4 589 634
Salaries and mandatory State social insurance contributions for distribution personnel	1 900 998	2 042 675
Salaries and social insurance contributions for administration personnel	1 796 172	1 909 454
	7 809 472	**8 541 763**
Including key management		
salary expenses	618 137	786 134
mandatory State social insurance contributions	190 190	193 405
including Mandatory State social contributions recognized in personnel expenses	1 221 346	1 724 166

(24) Transactions with related parties

The main shareholder of the Company, who owns 89.53% of shares of the Company, is S.P.I Regional Business Unit B.V. (the previous name is S.P.I. Distilleries B.V.), which is incorporated in the Netherlands. The ultimate Parent company of the Group is S.P.I. Group S.a.r.l, which is incorporated in Luxemburg and its majority shareholder is Mr. Yuri Shefler.

In 2010 the Company had economic transactions with the Parent company of the Group the S.P.I. Group S.a.r.l. and the following S.P.I Group companies that are directly or indirectly subsidiaries of S.P.I. Group S.a.r.l - S.P.I.Spirits (Cyprus) Ltd. (Cyprus), Spirits Product International IP B.V.(Luxemburg), SPI Production B.V.(Netherlands), Tambovskoje spirtovodocnoje predprijatije Talvis OAO (Russia), Torgovi Dom Rostvestalko (Russia), SPI-RVVK OAO (Russia), SIA Bravo (Latvia), UAB Bennet Distributors (Lithuania), SIA Z Towers (Latvia), SPV Distributor SIA (Latvia), Spirits International B.V.(Luxemburg), SIA SPI Distribution (Latvia) (the previous name is AV&D), SIA Interlat (Latvia). The Company also had economic transactions with the related company SIA Meierovica 35 (Latvia) which is

On 30 December, 2009 the S.P.I. Group has acquired shares of SIA Mono M (Latvia), SIA S.D.V. (Latvia), SIA L.D.V. (Latvia), SIA S.Alk

The value of the transactions are disclosed with excise tax.

(a) Sale of Goods	**2010**	**2009**
	Eur	**Eur**
SIA SPI Distribution (Latvia)	55 968 761	65 422 273
S.P.I. Spirits (Cyprus) Ltd.	41 539 569	40 615 281
UAB Bennet Distributors	4 514 196	6 300 159
Torgovi Dom Rosvestalko	774 291	652 328
OU Divinum	751 207	-
SIA Bravo	315 075	328 944
SPI-RVVK OAO	25 939	162 788
	103 889 037	**113 481 773**

(b) Service Rendered (Including Loan Interest)	**2010**	**2009**
	Eur	**Eur**
SIA SPI Distribution (Latvia)	3 867 546	293 870
S.P.I. Spirits (Cyprus) Ltd.	1 080 459	780 506
SIA L.D.V.	1 045 293	-
SIA Mono M	414 895	-
SPI Production B.V.	402 814	568 161
SIA Interlat	102 812	568 161
SIA Meierovica 35	47 053	13 677
S.P.I.Regional Business Unit B.V	34 593	-
SIA S.Alko	18 971	-
SIA Bravo	15 886	36 387
Spirits International B.V. (branch)	8 761	2 462
SPI-RVVK OAO	3 539	-
UAB Bennet Distributors	982	-
Spirits Product International IP B.V.	322	-
SIA SPV Distributor	145	189
	7 129 692	**2 275 883**

(c) Purchase of Goods		
Tambovskoje spirtovodocnoje predprijatije Talvis OAO	3 452 833	393 734
SPI-RVVK OAO	3 300 599	7 810 216
UAB Bennet Distributors	45 710	-
S.P.I. Spirits (Cyprus) Ltd.	14 142	98 848
	6 813 284	**8 302 799**

(d) Services Received		
S.P.I.Spirits (Cyprus) Ltd.	239 427	291 821
SIA Meierovica 35	145 241	145 241
SIA SPI Distribution (Latvia)	125 877	98 739
UAB Bennet Distributors	81 459	51 185
OU Divinum	29 487	-
Spirits Product International IP B.V.	18 156	38 551
Spirits International B.V.	11 641	6 426
SIA Bravo	9 606	519
Torgovi Dom Rosvestalko	1 922	-
SPI-RVVK OAO	950	2 528
	663 766	**635 011**

(e) Accounts Receivable and Payable

	31.12.2010.		31.12.2009.	
	Receivables	**Payables**	**Receivables**	**Payables**
	Eur	**Eur**	**Eur**	**Eur**
S.P.I.Spirits (Cyprus) Ltd.	22 718 204	92 421	18 306 034	665 730
SIA SPI Distribution (Latvia)	7 358 169	81 371	3 539 914	74 786
UAB Bennet distributors	2 081 642	116 076	2 204 935	41 095
S.P.I.Production B.V.	2 016 246	-	1 613 434	-
SPI Group S.a.r.l	-	1 476 679	-	-
SIA Meierovica 35 *	1 430 644	-	806 664	-
Tambovskoje spirtovodocnoje predprijatije Talvis OAO	1 219 774	-	-	-
OU Divinum	573 096	13 477	597 044	16 592
Torgovi Dom Rosvestalko	569 671	1 922	15 139	-
Spirits International B.V.	427 294	-	427 257	-
SPI-RVVK OAO	-	238 007	-	-
S.P.I.Regional Business Unit B.V.	34 593	3 529	-	-
SIA Bravo	32 949	9 720	29 899	629
Spirits International B.V.(branch)	11 740	-	2 979	-
SPI-RVVK OAO	3 509	-	10 848	-
Spirits Product International IP B.V.	579	36 215	236	26 158
Spirits International B.V.	-	15 255	-	12 463
SIA SPV Distributor	117	-	81	-
SIA L.D.V.	-	-	377 132	-
SIA Mono M	-	-	288 920	-
SIA Interlat	-	-	23 580	-
SIA S.Alko	-	-	1 864	-
	38 478 226	**2 084 672**	**28 245 962**	**837 454**
The short term part of the loan (see section (g))	**10 000 000**		-	
Total short term liabilities	**48 478 226**		**28 245 962**	

Repayment of the debts will be made in cash, and they are not secured with guarantee or otherwise. In 2010 and 2009 there are no significant bad debts from related parties.

* In 2009, the Company signed a loan agreement with SIA Meirovica 35 for the loan in amount of 1 000 000 lats. The loan is issued as credit line facilities in separate parts. During the reporting period the repayment date was changed from 1 October, 2010 to 1 October 2011. On 31 December 2010 the issued and outstanding amount of the loan is Ls 1 000 000.

(f) Loans to Group companies	**31.12.2010**	**31.12.2009**
	Eur	**Eur**
S.P.I.Production B.V. **	600 000	600 000
S.P.I.Spirits (Cyprus) Ltd *	14 700 000	14 700 000
	35 300 000	**35 300 000**

At beginning of the year	35 300 000	35 300 000
Borrowings issued during the year	-	3 153 084
Repaid borrowings during the year	-	(3 153 084)
At the end of the year	**35 300 000**	**35 300 000**

Maturity of the total borrowings is as follows:

Payable in 1 year	10 000 000	-
Payable in 2 – 5 years	25 300 000	35 300 000
	35 300 000	**35 300 000**

* On 26 July 2007 the Company concluded a loan agreement with S.P.I.Spirits (Cyprus) Limited regarding loan of EUR 13 000 000. During 2008 the loan was partly repaid for EUR 8 300 000. The unpaid part of principal sum of the loan on 31 December 2010 is in amount EUR 4 700 000. Loan repayment date is 30 June 2014.

* On 28 December 2007 the Company concluded a loan agreement with S.P.I. Spirits (Cyprus) Limited regarding loan of EUR 10000000. At the end of 2007 the first part of EUR 5 000 000 was transferred, the second part was transferred on January 2008 in amount EUR 5 000 000.

On 28 December 2009 the agreement on prolongation of term till 28 December 2011 was signed. The unpaid part of the loan on 31 December 2010 is EUR 10 000 000.

** On 20 April 2006 the Company concluded a long-term loan agreement with S.P.I. Production B.V. in the amount of EUR 20 600 000. Repayment date is 20 July 2015.

The debts will be repaid in cash and they are not secured by guarantee or otherwise.

The effective interest rates at the balance sheet date were as follows:

	31.12.2010.	**31.12.2009.**
Loans issued	1.731% - 4.080%	1.856 - 3.712%

(g) Royalty Payments

The Company leases trade marks from S.P.I. group companies. The amount of the royalties depends on the amount of the produced drinks subjected to royalty payments The payments are included in the amount of received services (Note (24(d))). In accordance with the Management’s estimates in 2011 no significant changes are expected in the amount of royalty payments.

(25) Tax Contingent Liabilities

On 3 June 2010 Republic of Latvia has received a European Commissions (EC) formal notice on violation on procedures concerning the inconsistent usage of the signs, that include or mention the protected origin's name "Šampanietis", or wine beverages, that are not originated in the Champagne region. The Management conceders, that in Latvia name "champagne" has become a common expression and it is not associated with Champagne region beverages. At present Republic of Latvia has not received answers from EC on the existence of the violation and argument opinion or Republic of Latvia eventual argument opinion appeal in the European Union court. As a result of a negative court ruling the Company would not be able to use the brand names "Rīgas šampanieties", "Klasiskais Rīgas šampanietis", "Советское Шампанское" and "Советское Шампанское ЗОЛОТОЕ".
The Financial statements do not include any provisions for liabilities, that could arise from the previously mentioned court decision.

The tax authorities may at any time conduct the tax audit for the last three years after the taxation period and apply additional tax liabilities and penalties. In March 2011 the Company has received Latvian tax authorities resolution on the start of an tax audit for the period from 1 January 2009 till 31 December 2010. The Management of the Company is not aware of any circumstances that could cause potential significant liabilities during the tax audit.

(26) Lease agreements

During the reporting period the Company leased office space in its owned properties to related parties SIA Bravo, SIA Meirovica 35, SIA SPI Distribution (Latvia), SIA L.D.V., Sea Mono M, SIA S.Alko, SIA Interlat and non-group company SIA AveLat.

The Company has signed a lease agreement for a container crane till 31 December 2011. As per the agreement the contract can be terminated due to leases activities, compensating the lease payments for the remaining lease period. As at 31 December 2010 the mandatory lease payments is EUR 73 800 (31.12.2009. - EUR 70 772).

The Company has signed a unlimited time tank container lease agreement. One of the contracts that included terms of cancelation of the contract was terminated in 2011. The remaining contracts do not include any additional terms on cancelation of the contract, respectively no mandatory lease payments are recognised. Due to changes in the production process, lease tank containers are gradually returned to the leaser starting from September 2010, and their number in 2011 has significantly decreased. Tank container lease payments, that are included in 2010 amount to EUR 766 457 (2009 - EUR 860 597).

(27) Guaranties issued

In January 2009 SIA Bravo has signed credit line agreement with Nordea Bank Finland Plc, Latvian branch for credit line of EUR 5000000 limit, where AS Latvijas balzams issued guarantee in amount EUR 4 000 000 serves as the security. The guarantee is valid until complete fulfilment of SIA Bravo obligation.

The Company issued guarantees to AS Parex banka as the security of the payment card (Visa Gold) issued to SPI Spirits (UK) Ltd. with the granted credit of USD 100 000. During the reporting period the guarantee has been cancelled.

(28) Financial and capital risk management

The Company’s activity is exposed to various financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Management of the Company seeks to minimize potential adverse effects of the financial risks on the Company’s financial position. The Company uses derivative financial instruments to hedge certain risk exposures.

(a) Market risk

(i) Foreign exchange risks

The Company operates internationally and is exposed to foreign currency risk arising mainly from the U.S. dollar's fluctuations as to the euro and other currencies fixed to the euro. Foreign currency risks arises from future commercial transactions, recognized assets and liabilities. The majority of raw materials and materials are purchased by the Company in euro and US dollars, but the significant part of the production is sold in the domestic market and exported to the markets where euro dominates.

Since 2005 the Bank of Latvia has stated a fixed currency exchange rate for lats against euro, i.e. 0.702804, and ensure that the market rate will not differ from the official rate by more than 1%. As far as the Bank of Latvia maintains the above mentioned exchange corridor, the Company will not have a significant currency exchange risks in respect of assets and liabilities nominated in euro.

The Company's significant open currency positions:

	31.12.2010.	31.12.2009.
Financial assets, EUR	42 585 957	50 282 524
Financial liabilities, EUR	(28 277 009)	(28 266 685)
Open position EUR, net	14 308 948	22 015 839
Open position EUR, net	**14 308 948**	**22 015 839**
Financial assets, USD	724 859	775 633
Financial liabilities, USD	(2 109 393)	(6 914 265)
Open position USD, net	(1 384 534)	(6 138 632)
Open position USD calculated in EUR, net	**(1 053 958)**	**(4 271 164)**

(ii) Interest rate risks

The Company is exposed to interest rate risk as the main part of the liabilities are interest-bearing borrowings with the variable interest rate (see Note (18)), as well as the Company's interest bearing assets have variable interest rate (see Note 24(g)). Taking into account that the difference between assets and liabilities with variable interest rates is not significant and mainly depends on EURIBOR fluctuations, the management of the Company believes that risk of interest rate fluctuations is low.

	31.12.2010.	**31.12.2009.**
	Eur	**Eur**
Financial assets with variable interest rate, EUR	35 300 000	35 300 000
Financial liabilities with variable interest rate, EUR	(25 214 093)	(24 291 056)
Financial liabilities with variable interest rate, USD calculated in EUR	-	(4 616 190)
Financial liabilities with variable interest rate, EUR	(9 315 989)	(8 102 827)
Open position, net, EUR	**769 918**	**(1 710 073)**

Due to the number of risk factors, the Company manages its cash flow interest rate risk by hedge activities and floating-to-fixed interest rate swaps. Under these contracts the Company fixes the interest rate for some of the long-term borrowings.

(b) Credit risk

Financial assets, which potentially subject the Company to a certain degree of credit risk concentration are primarily cash, trade receivables and loans. Company's policy provides that the goods are sold and services provided to customers with appropriate credit history. Trade receivables are recognized in recoverable amount. For the bank transactions only the local and foreign financial institutions with appropriate ranking is accepted.

Maximum exposure to credit risk	**31.12.2010.**	**31.12.2009.**
	Eur	**Eur**
Issued loans to Group companies	25 300 000	35 300 000
Trade receivables - Group companies	48 478 226	28 245 962
Trade receivables - non -related parties	577 224	738 556
Cash	146 546	572 608
	74 501 995	**64 857 125**

The largest concentration of credit risk arises from the Group company's debts: on 31 December 2010 99% of the total trade receivables related to Group companies (31.12.2009: 97%). Taking into account the Group's policy and the sound financial position, no provisions for debts and impairment losses of Group companies were made and the Company's management believes that the credit risk of transactions of the Company is considered as low.

Maturity analysis of trade receivables (non-related parties)

	Gross amount	Accruals for bad and doubtful debtors	Trade receivables not impaired	spited in:	Past due*		
				in due term	< 90 days	90-180 days	> 180 days
31.12.2010	1 090 835	(513 611)	577 224	577 224	-	-	-
31.12.2009	1 223 889	(485 333)	738 556	355 200	374 796	8 560	-

(c) Liquidity risk

Company pursues a prudent liquidity risk management and maintain a sufficient quantity of cash and ensure the availability of financial funds through credit lines provided by banks. At the end of the reporting year total available credit facilities amount is EUR 18,302 thousand (31.12.2009: EUR 18,123 thousand). On 31 December 2010 the unused part of the credit line was EUR 744 thousand (2009: EUR 1,904 thousand). Company's management monitors the operational forecasting of liquidity reserves, based on estimated cash flows. Most of the Company's liabilities are short-term. Management believes that the Company will have sufficient amount of financial resources that will be generated from operating activities and through a credit line facilities from Latvian banks.

The following table shows the maturity structure of financial liabilities of the Company, that is based on non-discounted cash flows:

On 31 December, 2010	Total	<1 year	1-2 years	2-5 years	>5 years
	Eur	Eur	Eur	Eur	Eur
Long-term loans	12 808 709	-	6 038 764	6 769 945	-
Derivatives financial instruments	291 673	-	291 673	-	-
Short -term loans	21 721 373	21 721 373	-	-	-
Trade payables	4 783 977	4 783 977	-	-	-
Debts to Group companies	2 084 672	2 084 672	-	-	-
	41 690 404	**28 590 022**	**6 330 437**	**6 769 945**	**-**

On 31 December, 2009	Total	<1 year	1-2 years	2-5 years	>5 years
	Eur	Eur	Eur	Eur	Eur
Long-term loans	16 550 765	-	4 240 389	11 476 634	833 743
Derivatives financial instruments	474 486	-	-	474 486	-
Short -term loans	20 459 307	20 459 307	-	-	-
Trade payables	5 393 524	5 393 524	-	-	-
Debts to Group companies	837 454	837 454	-	-	-
	43 715 537	**26 690 285**	**4 240 389**	**11 951 120**	**833 743**

All trade receivables, including Group companies, are short - term, with a maturity 1 year or less.

(f) Capital Management

According to the Latvian Commercial Law requirements if the equity of the Company falls below 50% of the share capital, the Board is required to address shareholders to make decisions on Company's going concern. Equity of the Company meets the Latvian legal requirements. Company's management manages the capital structure on going concern basis. During the reporting period there were no changes in capital management objectives, policies or processes. To ensure capital sufficiency, the Company's Board proposes to leave the profit of reporting period not distributed.

Company's management controls the net debt to equity capital (gearing ratio). During the reporting year this figure has decreased to 56% (2009: 66%), that confirms the stability of the Company. The positive trend in 2010 is also the increased proportion of equity to total assets up to 51% (2009: 48%).

	31.12.2010.	31.12.2009.
	Eur	Eur
Total borrowings	34 530 082	37 010 073
Less cash and its equivalents	(146 546)	(572 608)
Net debt	34 383 537	36 437 465
Equity	61 326 250	55 589 708
Total capital	95 709 787	92 027 173
Total assets	119 231 575	114 703 693
Net debt to equity	56%	66%
Equity ratio on total assets	51%	48%

(29) Subsequent events

There are no subsequent events since the last date of the financial year until the date of signing of financial statements, which would have a significant effect on the financial position of the Company as at 31 December 2010.

Shares

JSC “Latvijas balzams” shares are listed on NASDAQ OMX Riga Secondary market since October 15, 1998:

ISIN	LV0000100808
Ticker	BAL1R
Nominal value	1,00 LVL
Total number of securities	7 496 900
Number of listed securities	5 791 900
Liquidity providers	None
Indexes	B30GI, B30PI, OMXBGI, OMXBPI, OMXRGI

JSC “Latvijas balzams” share price development for the period 01.01.10 – 31.12.10

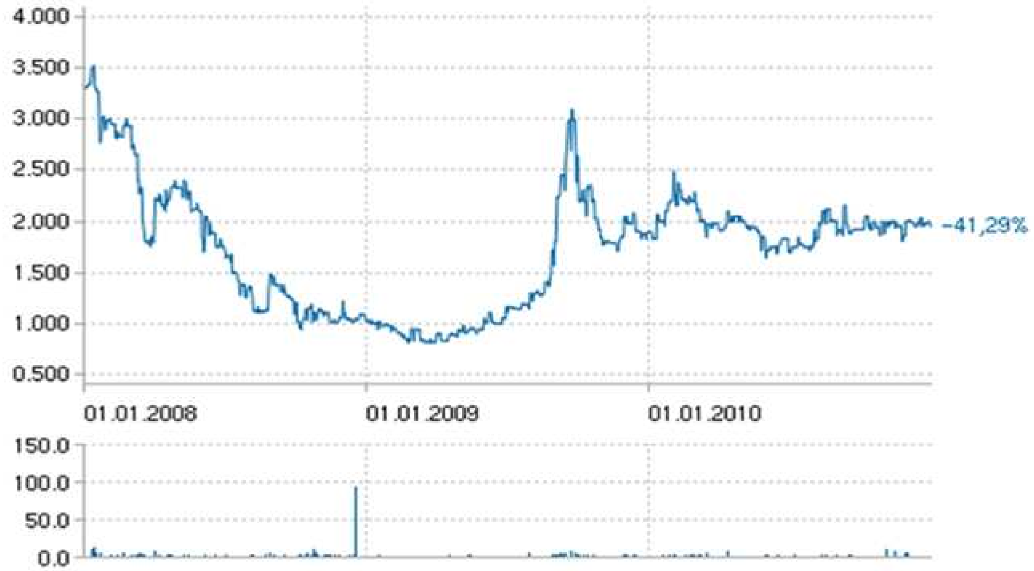
Currency: EUR

JSC “Latvijas balzams” share price development for the period 01.01.10 – 31.12.10

Open	2,700 EUR
Max	3,557 EUR
Min	2,334 EUR
Last	2,782 EUR
Average	2.840 EUR
Change	2,895%
Deals	680
No of shares traded	71 234
Turnover	202 579,92 EUR
Capitalization on 2009.12.30	20 854 234.60 EUR

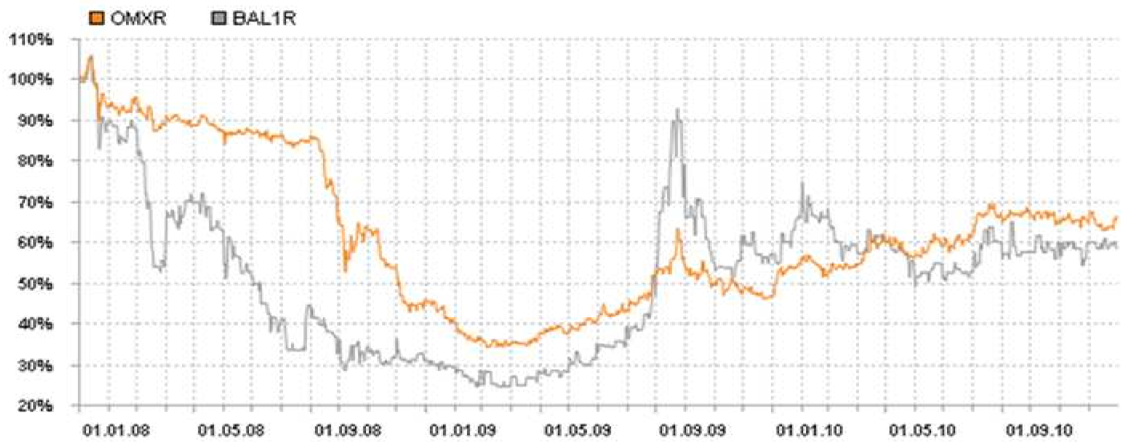
Information source: AS „NASDAQ OMX Riga” web page www.nasdaqomxbaltic.com

JSC "Latvijas balzams" share price development for the period 01.01.08 – 31.12.10



Currency: EUR

JSC "Latvijas balzams" share price development in comparison with NASDAQ OMX Riga index for the period 01.01.08 – 31.12.10



Index/Equity	01.01.2008	31.12.2010	+/-%
OMX Riga	595.30	393.53	-33.89
BAL1R	3.33 LVL	1.96 LVL	-41.29

Information source: AS „NASDAQ OMX Riga" web page www.nasdaqomxbaltic.com