Joint Stock Company

GROBIŅA

40003017297

Unaudited
Financial Statements
for 12 Months Period
of Year 2010

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INFORMATION ON THE COMPANY

Company Name	Joint Stock Company "Grobiņa"
Legal Status of the Company	Public Joint Stock Company
Registration No., Place, Date in the Commercial Register	Unified Registration No.: 40003017297 Riga, 12 July 2004
Legal Address	3 Lapsu Street, Dubeņi, Grobiņa Civil Parish, Grobiņa County, LV 3438, Latvia
Operating Activities	Fur-farming, manufacturing, processing and marketing, trade and brokerage of agricultural produce, transport service, renting out immovable property
Chairwoman of the Council	Argita Jaunsleine
Members of the Council	Gunārs Laugalis Jānis Meijubers Santa Blīgzna Sarmīte Ziediņa until 01 February 2011
Chairwoman of the Board	Daina Kalniņa
Members of the Board	Andris Vītoliņš until 04 February 2011 Gunta Isajeva
Reporting Period	1 January 2010 – 31 December 2010

MANAGEMENT REPORT ON THE PERFORMANCE RESULTS OF YEAR 2010

The main activity of Joint Stock Company "Grobiņa" is mink breeding for mink fur manufacturing.

In 2010, in JSC "Grobiņa" 39,097 mink pups were born, that is, 2.36 pups from one mother; there were 8,491 fallen animals, inter alia – 6,017 pups and 2,474 breeding animals. In 2010, in order to restore and increase the herd of fur animals, 43,650 mink pups were purchased from different farms for a total of 724, 977 lats.

In 2010, 76,730 mink pups were bred, the prime cost of the pups were 23.09 LVL apiece; 71,779 mink skins were manufactured with the cost price of 21.68 LVL apiece.

The net turnover of the reporting year is 1,980,334 lats, it has increased by 49% comparing with 2009 because of a substantial rise in sales prices. 118,369 mink skins and 2,012 fox skins were sold. The average sales price of mink skins was 16.42 LVL apiece and of fox skins - 13.61 LVL apiece. Most of the skins were realized in Copenhagen Auction House - 50% of all the skins and Finland Auction House - 46% of the sold skins.

In 2010, the cost price of the manufactured skins was the highest in recent years; it will have impact on the financial results of 2011.

On 31 December 2010, the lowest value – the market price was adapted for the remainder of the finished goods under Article 32 of the Annual Report Regulations.

In 2010, in accordance with the signed schedule the bank loan of 179,500 EUR was repaid to the bank; the remainder of the long-term loan on 31 December 2010 was 310,234 EUR.

In 2010, the average number of employees in Joint Stock Company "Grobiņa" was 87; in the respective period of 2009 there were 108 employees.

Year 2010 was completed with the profit of 52,779 lats, the net income per share is 0.106 lats or 0.150 euro; in 2009, the net loss per share was 1.957 lats or 2.785 euros.

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Daina Kalniņa
Chairwoman of the Board

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Gunta Isajeva
Board Member

Dubeņi, 24 February 2011

PROFIT OR LOSS CALCULATION OF YEAR 2010

		2010 LVL	2010 EUR	2009 LVL	2009 EUR
1	Net Turnover	1980334	2817761	1328769	1890668
2	Production Cost of Sold Produce	(1665642)	(2369995)	(2126960)	(3026391)
3	**Gross Profit**	**314692**	**447766**	**(798191)**	**(1135723)**
4	Distribution Costs	(108495)	(154374)	(104147)	(148188)
5	Administrative Expenses	(127251)	(181062)	(121022)	(172199)
6	Other Operating Income	19626	27925	35734	50845
7	Other Operating Expenses	(19196)	(27313)	-	-
8	Interest Income and Other Similar Income	267	380	1188	1690
9	Interest Payments and Other Similar Expenses	(25688)	(36551)	(24279)	(34546)
10	**Profit before Taxes**	**53955**	**76771**	**(1010717)**	**(1438121)**
11	Income from Deferred Tax Liabilities (expenses)	-	-	33277	47349
12	Other Taxes	(1176)	(1673)	(1062)	(1511)
13	**Profit of the Accounting Year**	**52779**	**75098**	**(978502)**	**(1392283)**
14	**Earning per Share (EPS)**	**0.106**	**0.150**	**-1.957**	**-2.785**

Daina Kalniņa
Chairwoman of the Board

Gunta Isajeva
Member of the Board

Dubeņi, 24 February 2011

BALANCE SHEET ON 31 DECEMBER 2010

Assets	2010 LVL	2010 EUR	2009 LVL	2009 EUR
Long-term Investments				
I Intangible Investments				
2 Concessions, Patents, Licences and Similar Rights	14	20	119	169
Total:	**14**	**20**	**119**	**169**
II Tangible fixed assets:				
1 Land, Buildings, Constructions and Perennial Plants	393415	559779	415453	591136
3 Equipment and Machinery	111799	159076	81109	115408
4 Other Tangible Fixed Assets and Inventory	67783	96447	58438	83150
5 Expenses on Assets under Construction	26340	37478	26340	37478
Total:	**599337**	**852780**	**581340**	**827172**
IV Biological Assets	**601379**	**855685**	**242750**	**345402**
V Long-term Financial Investments				
5. Other Securities and Investments	352	501	352	501
7. Stocks and Shares	2500	3557	2500	3557
Total:	**2852**	**4058**	**2852**	**4058**
Total Long-term Investments	**1203582**	**1712543**	**827061**	**1176801**
Current assets				
I Inventories:				
1 Raw Materials, Basic Materials and Auxiliary Materials	105488	150096	29490	41960
2 Unfinished Goods	15993	22756	261332	371842
3 Finished Goods and Goods for Sale	1166904	1660355	1144720	1628790
5. Prepayments for Goods	235	334	1105	1572
Total:	**1288620**	**1833541**	**1436647**	**2044164**
II Debtors:				
1 Customers' Debts	52473	74662	6451	9179
4 Other Debtors	24549	34930	4479	6373
7 Deferred Expenses	7487	10653	652	928
8 Accrued Revenues	-	-	9916	14109
Total:	**84509**	**120245**	**21498**	**30589**
IV Cash (Total)	**102065**	**145225**	**34147**	**48587**
Total Current Assets:	**1475194**	**2099012**	**1492292**	**2123340**
Total Assets	**2678776**	**3811555**	**2319353**	**3300142**

BALANCE SHEET ON 31 DECEMBER 2010

	2010 LVL	2010 EUR	2009 LVL	2009 EUR
Liabilities				
Equities:				
1Share capital	500000	711436	500000	711436
5 Reserves				
c) Statutory Reserves	54454	77481	54454	77481
6 Retained Earnings:				
a) previous	697616	992618	1676118	2384901
b) for the period	52779	75098	(978502)	(1392283)
Total :	**1304849**	**1856633**	**1252070**	**1781535**
Provisions:				
3 Other Provisions	22448	31941	23060	32811
Total:	**22448**	**31941**	**23060**	**32811**
Creditors:				
Long-term Creditors:				
3 Loans from Credit Institutions	163426	232534	-	-
4 Other Loans	251450	357781	229830	327018
Total:	**414876**	**590315**	**229830**	**327018**
Short-term Creditors:				
3 Loans from Credit Institutions	54608	77700	344187	489734
4 Other Loans	19599	27887	20817	29620
5 Prepayments Received	614844	874844	82340	117159
6 Outstanding Payments for Suppliers and Contractors	217783	309877	272848	388228
10 Tax and Social Payments	11233	15983	59466	84612
11 Other Creditors	11107	15804	24848	35356
13 Accrued Liabilities	7429	10571	9887	14068
Total:	**936603**	**1332666**	**814393**	**1158777**
Total Debts to Creditors:	**1351479**	**1922981**	**1044223**	**1485795**
Total Liabilities	**2678776**	**3811555**	**2319353**	**3300142**

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Daina Kalniņa
Chairwoman of the Board

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Gunta Isajeva
Member of the Board

Dubeņi, 24 February 2011

REPORT ON CHANGES OF SHAREHOLDERS' EQUITY OF YEAR 2010

	Share capital LVL	Share capital EUR	Statu-tory reser-ves LVL	Statu-tory reser-ves EUR	Retained earnings LVL	Retained earnings EUR	Total LVL	Total EUR
Balance on 1 January 2009	**500000**	**711436**	**54454**	**77481**	**1676118**	**2384901**	**2230572**	**3173818**
Profit of the Reporting Period					(978502)	(1392283)	(978502)	(1392283)
Balance on 31 December 2009	**500000**	**711436**	**54454**	**77481**	**697616**	**992618**	**1252070**	**1781535**
Profit of the Reporting Period					52779	75098	52779	75098
Balance on 31 December 2010	**500000**	**711436**	**54454**	**77481**	**750395**	**10657716**	**1304849**	**1856633**

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Member of the Board

Dubeņi, 24 February 2011

CASH FLOW STATEMENT OF YEAR 2010

	2010 LVL	2010 EUR	2009 LVL	2009 EUR
Cash Flow from Operating Activities				
1 Profit or Loss before Taxes	**53955**	**76771**	**(1010717)**	**(1438121)**
Adjustments for:				
a) amortisation of fixed assets	70590	100441	94317	134201
b) amortisation of intangible assets	105	149	152	216
c) liquidation of fixed assets	-	-	31	44
d) accruals (except accruals for unsecured debts)	(612)	(871)	(29468)	(41929)
e) gain/loss from fluctuations of currency exchange rates	22706	32308	(2156)	(3068)
f) grants received	(8309)	(11823)	(33579)	(47779)
g) other interest income and similar income	(267)	(380)	(1188)	(1690)
h) interest payments	25688	36551	24279	34546
2 Profit or Loss before Adjustments of Change Effect in Current Asset and Short-term Liability Balance	**163856**	**233146**	**(958329)**	**(1363579)**
a) Increase/ Decrease in Biological Asset Balance	(358629)	(510283)	265091	377191
b) Increase/Decrease in Inventory Balance	148027	210623	606416	862852
c) Increase/Decrease in Receivables	(63011)	(89657)	(1808)	(2573)
d) Increase/Decrease in Outstanding Payment Balance for Suppliers and Contractors	413007	587656	101553	144497
3 Gross Cash Flow from Operations	**303250**	**431486**	**12923**	**18388**
4 Interest Payments	(25688)	(36551)	(24279)	(34546)
5 Real Estate Tax Payments	(1176)	(1673)	(1062)	(1511)
8 Net Cash Flow from Operations	**276386**	**393262**	**(12418)**	**(17669)**
Cash Flow from Investing Activities				
1 Purchase of Fixed Assets and Intangible Assets	(88587)	(126048)	(578)	(822)
2 Received Interest	267	380	1188	1690
9 Net Cash Flows from Investing Activities	**(88320)**	**(125668)**	**610**	**868**
Cash Flow from Financing Activities				
1 Received Loans	20402	29029	2166	3082
2 Loan Payment Expenses	(126153)	(179500)	-	-
3 Received Grants	8309	11823	33579	47779
10 Net Cash Flow from Financing Activities	**(97442)**	**(138647)**	**35745**	**50861**
Effect of Currency Exchange Rate Fluctuations	**(22706)**	**(32308)**	**2156**	**3068**
Net Cash Flow of the Reporting Period	**67918**	**96639**	**26093**	**37127**
Cash and Cash Equivalent Balance at the Beginning of the Reporting Period	**34147**	**48587**	**8054**	**11460**
Cash and Cash Equivalent Balance at the End of the Reporting Period	**102065**	**145225**	**34147**	**48587**

Daina Kalniņa
Chairwoman of the Board

Gunta Isajeva
Member of the Board

Dubeņi, 24 February 2011

APPENDIX

I Accounting Policy

a. General Principles

The financial statements have been prepared in compliance with the laws of the Latvian Republic „On Accounting", „On Annual Accounts of Undertakings" and Latvian Accounting Standards.

The Statement of Profit and Loss has been prepared according to turnover cost method.

The Cash Flow Statement has been drawn up by establishing the cash flow from operating activities according to indirect method.

In comparison to the previous reporting period the respective amounts in the balance sheet, profit or loss account, statement of changes in equity and cash flow statement are included as at December 31, 2010 and December 31, 2009.

b. Net Turnover

Net turnover is the total amount of the value of the products sold and services rendered within a year less discounts granted and less value added tax. Other income is recognized at the time of its appearance, when there is a legal basis for it.

c. Intangible and Fixed assets

Intangible assets, in general, consist of computer software licences. Intangible assets are shown at the cost of acquisition less accumulated depreciation. Depreciation has been calculated according to linear method by applying 20% rate per annum.

All fixed assets have been initially evaluated at their acquisition value. Fixed assets have been presented at their acquisition value less accrued depreciation. Depreciation has been calculated according to linear method in the period of the useful life of the corresponding fixed assets, in order to write off regularly the value up to their calculated residual value as at the end of their useful life by applying rates approved by the management.

	% per annum
Buildings	1.7% - 8.5%
Equipment and Machinery	5.3% - 25%
Other Tangible Assets	9.1% - 33.33%

d. Biological Assets

Fur-bearing animals are recognized as biological assets.

e. Inventory

The Inventories are estimated using the FIFO method.
The Inventories are recorded at the lowest price of their market price or cost price. Raw materials and material remnants are estimated at the purchase cost. The remnants of finished goods are estimated at lowest price of their market price or cost price, that is, on 31 December 2009 - the actual cost, on 31 December 2010 – the average sales price of 2010.

1.5 Trade Receivables

Trade receivables are presented in the balance sheet at their net value by deducting special provisions for doubtful accounts receivable from the historical value. The amount of doubtful accounts receivable is established by analysing the term of each account receivable and by using other relative information about their recovery.

1.6 Cash and Cash Equivalents

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

1.7 Accruals for unused annual leaves

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

1.8 Grants

The allocated financial support related to fixed assets has been recognized as deferred income and entered into income within period of useful life of respective fixed asset.

2 Foreign Currencies

In the financial statements and in accounting, the cash unit of the Latvian Republic – the lat has been used as a cash unit and value measure. All transactions in foreign currencies have been transferred to lats according to the official exchange rate set by the Latvian Bank on the corresponding transaction day. Assets and liabilities in foreign currencies have been transferred into lats according to the exchange rate set by the Latvian Bank on the last day of the reporting period. Profit or loss gained as a result of foreign currency rate fluctuations has been accounted for in the Statement of Profit and Loss of the corresponding reporting period

	2010. 31.12 **Ls**	**2009. 31.12** **Ls**
1 USD	0.535	0.489
1 EUR	0.702804	0.702804
1 DKK	0.0943	0.0944
1 LTL	0.203	0.204
1 RUB	0.0176	0.0164

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 1 LVL=0.702804 EUR as at 31 December 2010.

3. Earnings per share (EPS)

Earnings per share is 0.106 LVL or 0.150 EUR as at 31 December 2010, net loss per share was 1.957 LVL or 2.785 EUR in 2009.

4. Average number of employees

Average number of personnel employed by the company was 87 persons in the twelwe month period of 2010 (108 in the respective period year before).

NOTICE ON MANAGEMENT'S RESPONSIBILITIES

The interim financial statements are the responsibility of the management of JSC "Grobiņa".
The management of the company declares that in accordance with the possessed information, the presented condensed financial statements are prepared under actual laws and regulations and represent truthful and clear information on the company assets, equity, liabilities, financial situation and profit or loss. Interim Management Report contains truthful information. The established control procedures for prevention internal risk are effective. Risk management and established internal control procedures have been applied consistently during the reporting period.
The management of JSC "Grobiņa" is responsible for the performance of the requirements of the legislation of the Republic of Latvia.

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Daina Kalniņa
Chairwoman of the Board

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Gunta Isajeva
Member of the Board

Dubeņi, 24 February 2011