Joint Stock Company "GROBIŅA"

(Registration number 40003017297)

ANNUAL REPORT

FOR PERIOD

COMMENCED 1 JANUARY 2010
ENDED 31 DECEMBER 2010

The items of the Financial Statement were converted to EUR according to the exchange rate fixed by the Bank of Latvia
as at 31 December 2010: LVL 1 = EUR 0.702804 and it is only for informative purposes.

Dubeņi, Grobiņa Municipality

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Company information

Company name	Joint stock company "Grobiņa"
Legal status of the Company	Public joint stock company
Registration number, place and date	40003017297 Riga, 12 July 2004
Address	Lapsu street 3, Dubeņi, Parish Grobiņa, Latvia, LV-3438
Names and legal addresses of related and associated companies (indicating the Company's percentual share in the equity of these companies)	Not applicable
Company's main operation	Fur-farming, growing, processing and sales of agricultural produce, trade and mediation, renting out premises

Names and positions of the Board members:

Chairman of the Board	Daina Kalniņa (until 01.03.2011.)
Member of the Board	Gunta Isajeva
Member of the Board	Andris Vītoliņš

Names and positions of the Council members:

Chairman of the Council	Jānis Siliņš (20.07.2007-14.09.2010)
Chairman of the Council	Agrita Jaunsleine (from 13.10.2010)
Member of the Council	Gunārs Laugalis (from 22.03.2010)
Member of the Council	Jānis Meijubers (from of 22.03.2010)
Member of the Council	Genādijs Jefimovs (20.07.2007-22.03.2010)
Member of the Council	Ojārs Petrēvics (20.07.2007-22.03.2010)
Member of the Council	Dagmāra Šlosberga (22.03.2010-14.09.2010)
Member of the Council	Aivars Žvagulis (22.03.2010-14.09.2010)
Member of the Council	Santa Blīgzna (13.10.2010-10.03.2011)
Member of the Council	Sarmīte Ziediņa (13.10.2010-10.03.2011)

Reporting year	1st of January, 2010 – 31st of December, 2010
Name and address of the Auditor	Marija Jansone Certified Auditor (LACA Certificate No.25) SIA AUDIT ADVICE Certified auditors commercial company Licence No.134 Rīga, Brīvības 40-48, Latvia, LV-1050

Management Report

Type of operation

The main operation of the JSC "Grobiņa" is fur-farming of minks.

Company's operation during the reporting year

At the year of 2010 there were born 39 097 mink kits, what are 2.36 kits per mother.Fallen minks were 8491, of which 6017 were kits and 2474 was breeding animals. To regenrate and supplement the herd, there were purchased 43 650 new kits at year 2010. The kits were purchased from different farms for amount of LVL 724 977. There were 76 730 kits grown at the year 2010.The prime cost per one kit is LVL 23,09. There were 71 779 mink skins acquired. The prime cost per one skin is LVL 21,68.Over 12 months of 2010, the net turnover of the company was LVL 1 980 334, what has increased by 49 % comparing to year 2009.That has been achieved with increased sales prices.There were 118 369 mink skins and 2012 fox skins sold at the year 2010. The average price was LVL 16,42 per one mink skin and LVL 13,61 per one fox skin. Around 50% were realized at the Auction house of Copenhagen. 46% were realized at the Auction house of Finland. The prime costs per one skin at the year 2010, has reached the highest costs during the past years. That will also have an impact over the financial results of the year 2011. On 31st of December, the lowest assement in the value of market price has been applied to the items in stock according to the law of annual reports, 32nd Article.

According to the contract made, the sum of repaid credit to bank is EUR 179 500. The long-term loan sum at the 31th of December, 2010 is EUR 310 234.

The average number of employees at the yeat of 2010 is 87. There was 108 employees at the same period of year 2009.

Company concluded the year 2010 with profit of LVL 21 460. The net earning per share is LVL 0.04 or EUR 0.06. The net loss at the year 2009, was LVL 1.957 or EUR 2.785 per one share.

Since 2006 the Company has owned 2 500 enterprise shares, which are held in the closed register.

The Board of the JSC "Grobiņa" has prepared a Report on Corporate Governance in year 2009. The Report was prepared according to the "Principles of Corporate Governance and Recommendations on Their Implementation" issued by NASDAQ OMX Riga. The Board *pro rata* has been implementing the recommended principles of corporate governance in the JSC "Grobiņa" operation, thus improving the governance quality.

Research and Development measures

In February 2010 independent experts from "Eiroeksperts", Ltd. made evaluation according to market value - real estate was evaluated at LVL 800 000, equipment, buildings, structures, technological equipment and machinery - LVL 494 000.
In order to ensure stability the Company gave attention to attraction of clients, cost optimisation and new markets research.

Financial risk management

The Company's operation is subject to various financial risks, including credit risk, foreign currency exchange rate and interest rate flactuation risks. The Company' s management is trying to minimize negative impact of potential financial risks on the Company financial position.

The Company is exposed to the foreign currency exchange rate fluctuation risk incurring due to different currencies. Majority of the Company's loans are in EUR. As the the goods are exported to the markets where the dominating currency is EUR and Danish krone, which have been stabil currencies, the Company management does not envisage serious financial risks in near future. Sales development tendencies in recent years show that the Company occupies stabil place on the markets where it sells its goods and the goods produced are competitive.

The Company' s loans in EUR are charged a variable interest rate. The Company's management is considering the possibilities to use financial instruments, which would minimize interest rate risk.

Financial resources, which potentially expose the Company to certain credit risk concentration level, are mainly cash and trade debtors. At the end of the reporting period the Company was not exposed to considerable credit risk level as no debt exceeded 50% of total trade debtors. The Company has implemented and complies with the credit policy by selling goods on credit only to customers who have good credit history and not exceeding the credit limit fixed for each customer. Trade debtors are shown as recoverable value. The Company's partners in cash transactions are local financial institutions with relevant credit history.

The Company follows prudent liquidity risk management ensuring that adequate credit resources are available for fulfilling its liabilities in fixed terms. On 31 December 2010 the Company's current assets exceeded short-term liabilities by LVL516 244. The short-term liabilities include long-term component of long-term bank loan, which time limitaccording to the subsequent agreement is 31th of March, 2015. In 2011 the Company shall repay EUR 77 700. The Company management believes that the Company will have sufficient cash and its liquidity will not be endangered.

Management report (continuation)

Financial results

Total liquidity ratio = 1.55

Liquidity intermediary coverage ratio = 0.19

Absolute liquidity ratio = 0.11

Proportion of liabilities in Balance Sheet = 0.51

Liabilities to shareholders' equity ratio = 1.07

Stock turnover ratio = 1.22

All assets turnover ratio = 0.74

Return on sales (%) = 1.08%

Return on shareholders' equity (%) = 1.69%

Circumstances and events after the end of the reporting year

Due to the resignation of two council members on March, 2011, the council of JSC „Grobina" works in incomplete 3 member composition untill the regular shareholders meeting held on 28th of April, 2011. Due to the resignation of the Chairman of the Board on the 1st of March 2011, the board works at incomplete composition. The annual report is signed by 2 board members.

The aforementioned events are non-corrective events, which are only indicative of circumstances having accurred after the date of balance sheet.

During the period from the last day of the reporting year to the date of signature of the present financial statements there were no other financial transactions or events as result of which adjustments should be made or which should be explained in these financial statements.

Profit distribution recommended by the Board

The Board recommends to use the profit of year 2010 to cover the loses incurred on year 2009.

Future perspective

According to the first auction results of the year 2011 at Finland, conclusion can be made that, compared to previous year the sales price in the auction houses has increased. The Board of JSC „Grobina" believes that the company will be able to recover from the financial loss of the year 2009 whithin the next 3 to 5 years. It could be reached by ensuring proper and efficient management by the board, which would be supervised by competent and demanding council. The work that has been started and made on the year 2010, by the management of JSC "Grobiņa" has only raised the production profitability so far . This has been achieved by buying and importing more than 40 000 new high quality scandinavian type short-haired mink kits,that completely has replaced the breeding animals, and also by ensuring qualitative feeding. The new animal mating system that is also used in Lithuanian and Denmark farms has been implemented at the beggining of year 2011 and will ensure the planned high quality Scandinavian type short haired mink kit birth increase.

Member of the Board_____Gunta Isajeva

Member of the Board_____Andris Vītoliņš

15th of April 2011

DECLARATION ON MANAGEMENT RESPONSIBILITY

The JSC "Grobiņa" management is responsible for preparation of the Company's Annual Report.

The JSC "Grobiņa" management confirm that the Annual Report for the fiscal year 2010 has been prepared according to the requirements of the valid laws and regulatons and represents truthful and clear information on the JSC "Grobiņa"assets, liabilities, financial position and loss. The Management Report contains truthful information.

The established internal control procedures are effective; risk management and internal control during the reporting year were applied according to the internal control procedures.

The management of the JSC "Grobiņa" is responsible for performance in complience with the Republic of Latvia legislation.

Member of the Board_____ Gunta Isajeva

Member of the Board_____ Andris Vītoliņš

15th of April, 2011

BALANCE SHEET

	ASSETS	Notes	31.12.10. LVL	31.12.10. EUR	31.12.09. LVL	31.12.09. EUR
	Long-term investments					
I	***Intangible assets***					
	Concessions,patents, licences, trade marks and similar rights		14	20	119	169
	Total intangible assets	3	**14**	**20**	**119**	**169**
II	***Fixed assets***					
	Land, buildings, structures and perennials		385 683	548 777	415 453	591 136
	Equipment and machinery		111 799	159 076	81 109	115 408
	Other fixed assets and equipment		67 783	96 447	58 438	83 150
	Fixed assets under construction		25 100	35 714	26 340	37 478
	Total fixed assets	4	**590 365**	**840 014**	**581 340**	**827 172**
III	***Investment property***		**0**	**0**	**0**	**0**
IV	***Biological assets***	5	**601 379**	**855 685**	**242 750**	**345 402**
V	***Long-term financial investments***					
	Other securities and investments		352	501	352	501
	Other loans and long-term debtors		2 500	3 557	2 500	3 557
	Total long-term financial investments	6	**2 852**	**4 058**	**2 852**	**4 058**
	Total long-term investments		**1 194 610**	**1 699 777**	**827 061**	**1 176 801**
	Current assets					
I	***Stocks***					
	Raw materials and consumables	7	105 488	150 096	29 490	41 960
	Unfinished production	8	15 993	22 756	261 332	371 842
	Finished production and goods for sale	9	1 154 670	1 642 947	1 144 720	1 628 790
	Prepayment for goods	10	235	334	1 105	1 572
	Total stocks		**1 276 386**	**1 816 134**	**1 436 647**	**2 044 164**
II	***Long-term investments kept for sale***		**0**	**0**	**0**	**0**
III	***Accounts receivable***					
	Trade debtors	11	50 474	71 818	6 451	9 179
	Other debtors	12	24 131	34 335	4 479	6 373
	Deferred expenses	13	7 487	10 653	652	928
	Accrued earnings	14	0	0	9 916	14 109
	Total debtors		**82 092**	**116 806**	**21 498**	**30 589**
IV	***Short-term financial investments***					
	Total short-term financial investments		**0**	**0**	**0**	**0**
V	***Cash (total)***	15	**102 165**	**145 368**	**34 147**	**48 587**
	Total current assets		**1 460 643**	**2 078 308**	**1 492 292**	**2 123 340**
	Total assets		**2 655 253**	**3 778 085**	**2 319 353**	**3 300 142**

BALANCE SHEET (continued)

	LIABILITIES	Notes	31.12.10. LVL	31.12.10. EUR	31.12.09. LVL	31.12.09. EUR
I	***Shareholders' equity***					
	Share capital (equity)	16	500 000	711 436	500 000	711 436
	Reserves:					
	d) other reserves		54 454	77 481	54 454	77 481
	Total reserves		54 454	77 481	54 454	77 481
	Retained profit					
	a) retained profit of the prrevious years		697 616	992 618	1 676 118	2 384 901
	b) retained profit of the reporting year		21 460	30 535	-978 502	-1 392 283
	Total retained profit		719 076	1 023 153	697 616	992 618
	Total shareholders' equity		**1 273 530**	**1 812 070**	**1 252 070**	**1 781 535**
II	***Provisions***					
	Other provisions	17	22 448	31 941	23 060	32 811
	Total provisions		**22 448**	**31 941**	**23 060**	**32 811**
III	***Creditors***					
I	***Long-term creditors***					
	Loans from credit institutions	18	163 426	232 534	0	0
	Other creditors	19	251 450	357 781	229 830	327 019
	Total long-term creditors		**414 876**	**590 315**	**229 830**	**327 019**
II	***Short-term creditors***					
	Loans from credit institutions	18	54 608	77 700	344 187	489 734
	Other loans	19	19 599	27 887	20 817	29 620
	Advance payments from customers	20	614 844	874 844	82 340	117 159
	Trade creditors	21	217 731	309 803	272 848	388 228
	Taxes and social security payments	22	18 081	25 727	59 466	84 612
	Other creditors	23	11 107	15 804	24 848	35 356
	Accrued liabilities	24	8 429	11 993	9 887	14 068
	Total short-term creditors		**944 399**	**1 343 759**	**814 393**	**1 158 777**
	Total creditors		**1 359 275**	**1 934 074**	**1 044 223**	**1 485 795**
	Total Liabilities		**2 655 253**	**3 778 085**	**2 319 353**	**3 300 142**

The items of the financial statement were converted to EUR according to the exchange rate fixed by the Bank of Latvia as at 31 December 2010:

LVL 1 = EUR 0.702804 EUR and it is only for informative purposes.

Notes on pages 13 to 29 form an integral part of these financial statements.

Member of the Board_____ Gunta Isajeva

Member of the Board_____ Andris Vītoliņš

15th of April 2011

PROFIT AND LOSS ACCOUNT

	Notes	31.12.10. LVL	31.12.10. EUR	31.12.09. LVL	31.12.09. EUR
Net turnover	29	1 980 334	2 817 761	1 328 769	1 890 668
Cost of sales	30	1 673 369	2 380 990	2 126 960	3 026 391
Gross profit or loss		**306 965**	**436 772**	**-798 191**	**-1 135 723**
Selling expenses	31	108 495	154 374	104 147	148 188
Administrative expenses	32	128 255	182 490	121 022	172 199
Other operating income	33	19 627	27 927	35 734	50 845
Other operating expenses	34	22 282	31 704	0	0
Profit or loss from operation		**67 560**	**96 129**	**-987 626**	**-1 405 265**
Other interest income and similar income	35	267	380	1 188	1 690
Interest expenses and similar expenses	36	32 956	46 892	24 279	34 546
Profit or loss before extraordinary items and taxes		**34 871**	**49 617**	**-1 010 717**	**-1 438 121**
Extraordinary income	37	28 177	40 092	0	0
Extraordinary expenses	38	40 412	57 501	0	0
Profit or loss before taxes		**22 636**	**32 208**	**-1 010 717**	**-1 438 121**
Corporate income tax	39	0	0	0	0
Deferred tax income (expenses)	40	0	0	-33 277	-47 349
Other taxes	41	1 176	1 673	1 062	1 511
Profit or loss in the reporting year		**21 460**	**30 535**	**-978 502**	**-1 392 283**

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Member of the Board_____ Gunta Isajeva

Member of the Board _____ Andris Vītoliņš

15th of April, 2011

CASH FLOW STATEMENT (by indirect method)

		31.12.10. LVL	31.12.10. EUR	31.12.09. LVL	31.12.09. EUR
	I. Cash flow from operating activities				
1	Profit or loss before extraordinary items and taxes	**34 871**	**49 617**	**-1 010 717**	**-1 438 121**
	Adjustments:				
a)	depreciation of fixed assets;	78 321	111 441	94 317	134 201
b)	Intangible assets value write-offs;	105	149	152	216
c)	fixed assets disposal	1 240	1 764	31	44
d)	provisions (excl. provisions for doubtful debts);	-612	-871	-29 468	-41 929
e)	gain or loss from currency exchange rate fluctuations;	19 064	27 126	-2 156	-3 068
f)	subsidies, grants, endowments, donations;	-8 309	-11 823	-33 579	-47 779
g)	other interest income and similar income;	-267	-380	-1 188	-1 690
h)	interest payable and similar expenses.	32 956	46 892	24 279	34 546
2	Profit or loss before changes in current assets	**157 369**	**223 916**	**-958 329**	**-1 363 579**
	Adjustments:				
a)	(increase)/decrease of biological assets	-358 629	-510 283	265 091	377 191
b)	(increase)/decrease in debtors saldo;	-60 594	-86 217	-1 808	-2 573
c)	(increase)/decrease in stock residuals;	160 261	228 031	606 416	862 852
d)	increase/(decrease) in residual accounts payable to trade creditors and other creditors	420 803	598 749	101 553	144 497
3	**Gross cash flow from operationing activities**	**319 210**	**454 195**	**12 923**	**18 388**
4	Interest payments	-32 956	-46 892	-24 279	-34 546
5	Income tax payments	0	0	0	0
6	Deferred corporate income tax	0	0	0	0
7	Expenses for real estate payments	-1 176	-1 673	-1 062	-1 511
8	Cash flow before extraordinary items	**285 078**	**405 629**	**-12 418**	**-17 670**
9	Cash flow from from extraordinary items	-12 235	-17 409	0	0
10	**Net cash flow from operating activities**	**272 843**	**388 221**	**-12 418**	**-17 670**
II.	***Cash flow from investing activities***				
1	Fixed asset and intangible asset additions	-88 586	-126 047	-578	-822
2	Interest income and similar income	267	380	1 188	1 690
6	**Cash flow from investing activities**	**-88 319**	**-125 667**	**610**	**868**
III.	***Cash flow from financing activities***				
1	Loans received	20 402	29 029	2 166	3 082
2	Subsidies, grants, endowments and donations received	8 309	11 823	33 579	47 779
3	Loans repaid	-126 153	-179 500	0	0
7	**Net cash flow from financing activities**	**-97 442**	**-138 647**	**35 745**	**50 861**
IV.	***Result of foreign currency exchange rate fluctuation***	-19 064	-27 126	2 156	3 068
V.	***Net cash flow in the reporting year***	**68 018**	**96 781**	**26 093**	**37 127**
VI.	***Cash and its equivalents at the beginning of the reporting year***	**34 147**	**48 587**	**8 054**	**11 460**
VII.	***Cash and its equivalents at the end of the reporting year***	**102 165**	**145 368**	**34 147**	**48 587**

Notes on pages 13 to 29 form an integral part of these financial statements.

Signature (signed by all board members)_____ /Name Surname/

Member of the Board _____ Gunta Isajeva

Member of the Board _____ Andris Vītoliņš

15th of April 2011

STATEMENT OF CHANGES IN EQUITY

Types of changes	Share capital LVL	Share capital EUR	Other reserves LVL	Other reserves EUR	Retained profit LVL	Retained profit EUR	Total LVL	Total EUR
Balance as at 31.12.2008.	*500000*	*711436*	*54454*	*77481*	*1676118*	*2384901*	*2230572*	*3173818*
Net profit or loss over the reporting period					-978502	-1392283	**-978502**	**-1392283**
Balance as at 31.12.2009.	***500000***	***711436***	***54454***	***77481***	***697616***	***992618***	***1252070***	***1781535,1***
Net profit or loss over the reporting period					21460	30535	**21460**	**30535**
Balance as at 31.12.2010.	***500000***	***711436***	***54454***	***77481***	***719076***	***1023153***	***1273530***	***1812069,9***

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Member of the Board _____ Gunta Isajeva

Member of the Board _____ Andris Vītoliņš

15th of April, 2011

NOTES TO FINANCIAL STATEMENTS

ACCOUNTING POLICY

I. General Principles

The Annual Report has been prepared in accordance with the Republic of Latvia legislative norms " On Accounting", "On Annual Reports" and valid Latvian Accounting Standards: 1. LAS Basic Principles of Drawing up Financial Reports, 2. LAS Cash Flow Statement, 3. LAS Events after the date of balance sheet, 4 .LAS "Change of the Accounting Policy, change of the accounting estimates and errors of previous periods", 6.LAS Revenues, 7.LAS Fixed assets, 8.LAS Accruals, possible liabilities and possible assets.

Profit and Loss Statement is drawn up according to the method of turnover costs.

Cash Flow Statement has been prepared calculating the cash flow from operating activities by indirect method.

Compared with the previous reporting year, the methods of accounting and evaluation used by the Company have not been changed.

The year of Financial Statement is 12 months and it corresponds to a calendar year.

The Accounting Principles used

Items of the financial statements have been assessed according to the following accounting principles.

1. It is assumed that the Company will continue its operation in the future.

2. The same methods of assessment are used as in the previous reporting year.

3. Assesment is made with due caution, with the following conditions:

- - the statement includes only the profit gained before the date of balance sheet;
- taken into account are all the predictable risk amounts and loss incurred in the reporting year or over the previous years also in the cases when they have become known in the period between the date of the balance sheet and the day of signing the annual report;
- all the sums reducing the amounts and depreciation are calculated and taken into account irrespective of whether the reporting year is closed with profit or loss..

4. Income and expenses related to the reporting year have been taken into account regardless of the date of payment and the receipt or issue of invoices. Expenses have been coordinated with the income in the reporting

5. The constituents of assets and liabilities items have been assessed separately.

6. Beginning balance of the reporting year is the same as the closing blance of the year before, except for the adjusted items.

7. All the items are included, which are of essential importance for the Annual Report users' assessment or decision making, items of minor importance are joined and their details are given in the Notes.

8. Business transactions are shown in the Annual Report taking into account their economic content and essence, and not their legal form.

II. Recognition of revenues and net turnover

Net turnover is the total value of the products (mink, polar fox and silver fox skins) sold and services provided within the year, subtracting discounts,value added tax and other taxes directly related to sale. The revenue from the product sale is recognized when the buyer has accepted the goods according the terms and conditions of the goods delivery. The revenue from services rendered is acknowledged at the time they are provided. Revenue from the dividends is acknowledged when the legal right to them sets in.
Other revenue is acknowledged as follows:
- revenue from lease - at the moment of arising;
- revenues from fines and penalties - at the moment they are received;
- revenue from insurance remuneration - at the moment it is received.
- revenue from dividends - when legal rigts to them set in.

III. Intangible assets and fixed assets

The value of intangible assets and fixed assets is their purchase value, minus accrued depreciation. The purchase value includes expenses, which are directly related to the purchase of the immaterial asset or fixed asset. The purchase value of the software licences includes licence purchase expenses and the expenses incurred upon introducing them in operation.The value of the immaterial assets is expected to be included in the expenses within five years.

Land is not depreciated. In respect of other assets the depreciation is calculated according to the straight line depreciation method within the period of effective use of the relevant intangible assets and fixed assets, in order to write-off the purchase value or the revaluation value of the intangible asset or the fixed asset until its estimated residual value at the end of the period of effective use using the rates determined by the management as follows:

	Depreciation % per yer
Buildings, structures	1.7%-8.5%
Technilogical equipment	5.3%-25%
Other equipment and facilities, motor vehicles	9.1%-33.33%

The initial value of unfinished construction sites is increased by other direct expenses having occured in respect of the relevant site until comissioning of the newly created site. The initial value of the respective fixed asset is not increased by the interest of the loans used for creation of the new fixed asset in the periods when active development work regarding the uncompleted construction site is not carried out. At the end of the Reference year the amount of decrease of the construction site has been revalued.

Further expenses are included in the assets book value or recognized as a separate asset only when there is a strong likelihood that future economic benefits, which are related to this account will flow in the Company and the expenses related to this account can be determined credibly. Such expenses are written-off in the remainig period of effective use of the respective fixed asset. Upon capitalizing the expenses of the installed spare part the residual value of the replaced part is written-off in the profit or loss statement.

The expenses of the ordinary repairs and maintenance of fixed assets are included in the profit or loss statement for the period they were incurred.

Profit or loss from disposal of fixed assets is calculated as the difference between the book value of the fixed asset anf the revenue from its sale, and the revenue from writing-off the reserve of the fixed asset's revaluation, and is included in the estimate of profit or loss in the accounting period it occured.

IV. Stocks

Stocks are depicted according to their cost price or market value, in case it is below the cost price. Stocks are evaluated according to FIFO method. The amount decrease of outdated, slow turnover or damaged stock is written off. The stock is recorded according the continuous stocktaking method.

V. Debtors

Debtors are entered into the balance sheet as net value, by subtracting the special reserve for doubtful and bad debts from the initial value. Special provisions for doubtful and bad debts is created in cases, when the mangement believes that recovery of the debt of these separately allocated debtors is doubtful.

VI. Foreign currencies revaluation in Latvian lats

Accounting in the company is done in lats. All the transactions in foreign currencies are revaluated in lats according the exchange rate fixed by the Latvian Bank on the day of the relevant transaction.
Assets and liabilities, expressed in foreign currency are calculated in lats according the exchange rate fixed by the Bank of Latvia on the last day of the year of account. Profit or loss from the fluctuations of exchange rates are reflected in the Profit and loss statement of the relevant period.

	31.12.2010. (in lats)	**31.12.2009.** (in lats)	
1 USA dollar	**0,535**	**0,489**	(USD)
1 EUR	**0,702804**	**0,702804**	(EUR)
1 Lithuanian lit	**0,203**	**0,204**	(LTL)
1 Danish krone	**0,0943**	**0,0944**	(DKK)
1 Russian rouble	**0,0176**	**0,0164**	(RUB)

VII. Cash and cash equivalents

In the Cash Flow Statement cash and cash equivalents include cash, saldo of the current bank accounts and the short-term deposits with the first maturity up to 90 days.

VIII. Finance Risk Management

The most important company' s financial instrument is cash.The purpose of this financial instrument is to provide for the financing of its economic activity.The Company comes into contact with several other financing instruments as well, e.g.customers' and clients' debts and other debtors, liabilities to suppliers and contractors, and other creditors, which result directly from its economic activity. The company may grant short-term loans to the management and employees.
Financial risks
The main financial risks related to the Company' s financing instruments are liquidity risk and credit risk.
The company' s policy envisages to provide that the interest rate of the largest share of its loans is fixed.
Credit risk
The Company is exposed to credit risks related to its customers' and clients' debts, other debtors, and cash and its equivalents. The company manages its credit risk constantly evaluating the client debt repayment history and providing special credit terms and conditions for each client. Besides the Company monitors the residual debtors debt to minimize the possibility of unrecoverable debts arising.
The partners in cash transactions are home and foreign financial institutions with a relevant credit history.
Liquidity risk.The company manages its liquidity risk by providing appropriate financing.

IX. Subsidies

Subsidies received for special types of capital investment are treated as revenues in future periods, which are included gradually in the revenues during the useful life of the fixed assets received or purchased with the subsidiy. Subsidy to cover expenses is recognized in revenues in the same period when the relevant expenditure was born, provided all the terms and conditions in respect of receiving the subsidy are fulfilled.

X. Loans

Initially the loans are recognized for their fair value, with the exception of the expenses related to the receipt of the loan. In the following periods loans are recorded as the depreciated purchase value, which is valuated, using the effective interest rate on the loan. The difference between the amount of cash received excluding the expenses related to receiving the loan, and the value of loan repayment is included gradually in the Profit and loss statement.

XI. Taxes

he corporate income tax expenses of the year of account are included in the financial statement, basing on the calculations made by the management in accordance with the tax legislation of the Latvian Republic.

The deferred tax is calculated according to the liabilities method in respect of all the temporary differences between assets and liabilities carrying amounts in the financial statements and the amount attributed for tax purposes. When calculating the deferred tax the tax rates effective on the balance sheet date are used, which are anticipated in the periods when the temporary differences are offset.The temporary differences chiefly occur using different rates of depreciation of fixed assets as well as from tax losses, which are to be carried to the future tax periods. The asset of a deferred tax is recognized when there is a reasonable likelihood that a taxable profit will be gained, to which the deductable temporary difference may be attributed.

XII. Provisions

Provisions are recognized provided a present legal or practice based obligation has arisen for the Company in the result of some past events, and there is a strong likelihood that fulfilment of the obligation will cause an outflow of economic benefits, and this sum can be estimated credibly.

XIII. Related parties

Participants of a company, Board Members, Council members, close relatives of theirs' and companies, over which the above mentioned persons have control or material influence are considered related parties.

XIV. Biological assets

he Company' s biological assets are fur animals. The biological assets are evaluated at their fair value. The fair value is estimated according the cost price value.The alterations of the amount of biological assets, which have occured upon their evaluation in fair value, from which deducted is the decrease of the estimated amount due to degeneration, the increase of the amount due to breed and decrease of amount due to production of skins, is included in the Profit and loss statement of the relevant period. The skins produced are included in the stock and initially evaluated as fair value according the cost price calculation.

XV. Investment properties

The does not posess investment property.

XVII. Provisions for unused annual holidays

Provisions for unused annual holidays and obligatory state social security payments for unused holidays is calculated as total provisions for all the employees taking into account each employee' s average daily wages and the accrued number of holidays at the end of the reporting period.

XVIII. Earnings per share

Earnings per share is calculated by dividing net earnings or loss, which may be attributed to Company shareholders by the weighted average number of shares in the reporting year.

NOTES TO FINANCIAL STATEMENTS (continued)

GENERAL NOTES

	Year 2010	Year 2010	Year 2009	Year 2009
1. Average number of employees in the reporting year				
Average number of employees	87		108	
	LVL	EUR	LVL	EUR
2. Total personnel expenses	**344 372**	**489 997**	**536 314**	**763 106**
- salaries	277 679	395 102	434 079	617 639
- social security payments	66 693	94 896	102 235	145 467
- including:				
Remuneration of employees engaged in production (main operation)				
- salaries	227 565	323 796	364 409	518 507
- social security payments	54 645	77 753	85 559	121 739
- total	282 210	401 549	449 968	640 247
Administration				
- salaries	50 114	71 306	55 800	79 396
- social security payments	12 048	17 143	13 335	18 974
- total	62 162	88 449	69 135	98 370
including remuneration of the Board				
- salariy for the board member duties	11 748	16 716	13 870	19 735
- salary for the proffesional duties	14 877	21 168	16 467	23 430
- social tax paid by employer	6 414	9 126	7 308	10 398
- total	33 039	47 010	37 645	53 564
including remuneration of the Council				
- salaries	668	950	0	0
- social tax paid by employer	161	229	0	0
- total	829	1 180	0	0
Salary of council member according to agreement of jurisdictional assistance	10 517	14 964	3 600	5 122

The items of the Notes to the Financial Statements were converted to EUR according to the exchange rate fixed by the Bank of Latvia as at 31 December 2010:LVL 1 = EUR 0.702804 EUR and it is only for informative purposes.

NOTES TO FINANCIAL STATEMENTS (continued)
NOTES TO THE BALANCE SHEET

3. Statement of intangible assets flow

	Company development expenses	Concessions, patents, licences, trade marks and similar rights incl.		Other intangible assets	Goodwill	Advance payments	Total intangible assets
			computer software				
	LVL	LVL	LVL	LVL	LVL	LVL	LVL
Purchase value 31.12.2009.			1 937				**1 937**
Purchase (+)							**0**
Disposal (-)							**0**
Purchase value 31.12.2010.	0	0	1 937	0	0	0	**1 937**
Depreciation 31.12.2009.			1 818				**1 818**
Estimated (+)			105				**105**
Written off (-)							**0**
Depreciation 31.12.2010.	0	0	1 923	0	0	0	**1 923**
Book value 31.12.2009.		**0**	**119**	**0**	**0**	**0**	**119**
Book value 31.12.2010.		**0**	**14**	**0**	**0**	**0**	**14**

	Company development expenses	Concessions, patents, licences, trade marks and similar rights incl.		Other intangible assets	Goodwill	Advance payments	Total intangible assets
			computer software				
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Purchase value 31.12.2009.			2 756				**2 756**
Purchase (+)							**0**
Disposal (-)							**0**
Purchase value 31.12.2010.	0	0	2 756	0	0	0	**2 756**
Depreciation 31.12.2009.			2 587				**2 587**
Estimated (+)			149				**149**
Written off (-)			0				**0**
Depreciation 31.12.2010.	0	0	2 736	0	0	0	**2 736**
Book value 31.12.2008.		**0**	**169**	**0**	**0**	**0**	**169**
Book value 31.12.2009.		**0**	**20**	**0**	**0**	**0**	**20**

NOTES TO FINANCIAL STATEMENTS (continued)

NOTES TO BALANCE SHEET

4. Statement of fixed assets and investment property flow

	Land, buildings, constructions and perennials (LVL)	Long-term investm. in rented fixed assets (LVL)	Equipment and machinery (LVL)	Other fixed assets and inventory (LVL)	Fixed assets under construction (LVL)	Advance payments for fixed assets (LVL)	Total (LVL)
Purchase or revaluated value 31.12.2009.	1 164 972		461 556	189 831	26 340		**1 842 699**
Acquired in report. year (+)			62 447	26 139			**88 586**
Desposed in report. year (-)					-1 240		**-1 240**
Purchase or revaluated value 31.12.2010.	1 164 972	0	524 003	215 970	25 100	0	**1 930 045**
Accrued depriciation 31.12.2009.	749 519		380 447	131 393			**1 261 359**
Estimated in report. year (+)	29 770		31 757	16 794			**78 321**
Accrued depreciation 31.12.2010.	779 289	0	412 204	148 187	0	0	**1 339 680**
Book value 31.12.2009.	**415 453**	**0**	**81 109**	**58 438**	**26 340**	**0**	**581 340**
Book value 31.12.2010.	**385 683**	**0**	**111 799**	**67 783**	**25 100**	**0**	**590 365**

	Land, buildings, constructions and perennials (EUR)	Long-term investm. in rented fixed assets (EUR)	Equipment and machinery (EUR)	Other fixed assets and inventory (EUR)	Fixed assets under construction (EUR)	Advance payments for fixed assets (EUR)	Total (EUR)
Purchase or revaluated value 31.12.2009.	1 657 606		656 735	270 105	37 478		**2 621 924**
Acquired in report. year (+)			88 854	37 192			**126 047**
Disposed in report. year (-)					-1 764		**-1 764**
Purchase or revaluated value 31.12.2009.	0	0	745 589	307 298	35 714	0	**1 088 601**
Accrued depriciation 31.12.2008.	1 066 469		541 327	186 955			**1 794 752**
Calcul. in reporting year (+)	42 359		45 186	23 896			**111 441**
Disposed in reporting year (-)				0			**0**
Accrued depriciation 31.12.2009.	1 108 828	0	586 513	210 851	0	0	**1 906 193**
Book value 31.12.2008.	**591 136**	**0**	**115 408**	**83 150**	**37 478**	**0**	**827 172**
Book value 31.12.2009.	**548 777**	**0**	**159 076**	**96 447**	**35 714**	**0**	**840 014**

NOTES TO FINANCIAL STATEMENTS (continued)
NOTES TO BALANCE SHEET

4. Statement of fixed assets and investment property flow (continued)

Property	Cadastre No.	Cadastral value LVL/EUR	Book value LVL/EUR	Market value 02.2010. LVL/EUR
Land	64600140090 (LVL)	34 678	81 937	
	64600140090(EUR)	49 342	116 586	
Buildings and structures	64600140091 (LVL)	57 288	303 746	
	64600140091 (EUR)	81 513	432 192	
*Real estate**	64600140090X (LVL)			800 000
	64600140090X (EUR)			1 138 297
*Equipment, buildings, structures, machinery and other fixed assets**	64600140090X (LVL)			494 000
	64600140090X (EUR)			702 899

According to the contract on commercial lien immovable property was pledged against the credit line in favour of the JSC "Ge Money Bank".

*In February 2010 independant experts "Eiroeksperts" made evaluation according to the market value.

Depriciation of fixxed assets and write-off of intangible assets value, calculating taxable income (CIT Aticle 13)

	Residual value 31.12.2009.	Aquired in 2010.	Write-offs of fixed assets residual value	Value from which depriciation was calculated	Rate	Depriciation	Residual value 31.12.2010.
	LVL	LVL	LVL	LVL	LVL	LVL	LVL
Group I	251 092			251 092	10%	25 109	225 983
Group II	0			0		0	0
Group III	52	87		139	70%	97	42
Group IV	38 453	74 946		113 399	40%	45 360	68 039
Group IV	0	13 553		13 553	30%	4 066	9 487
Total	**289 597**	**88 586**	**0**	**378 183**		**74 632**	**303 551**

	Residual value 31.12.2009.	Aquired in 2010.	Write-offs of fixed assets residual value	Value from which depriciation was calculated	Rate	Depriciation	Residual value 31.12.2010.
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Group I	357 272			357 272	10%	35 727	321 545
Group II	0			0		0	0
Group III	74	124		198	70%	138	60
Group IV	54 714	106 639	0	161 352	40%	64 541	96 811
Group IV	0	19 284		19 284	30%	5 785	13 499
Total	**412 059**	**126 047**	**0**	**488 403**		**106 191**	**431 915**

5. Biological assets

	31.12.2010. LVL	31.12.2010. EUR	31.12.2009. LVL	31.12.2009. EUR
Residue value at the beginning of the year	**242 750**	**345 402**	**507 841**	**722 593**
Purchased breeding animals	724 977	1 031 549	0	0
Sold breeding animals (-)	0	0	0	0
Increase in value due to reproduction (+)	339 399	482 921	719 398	1 023 611
Decrease in value due to degeneration (-)	-61 974	-88 181	-110 023	-156 549
Decrease due to product. of finished goods (-)	-643 773	-916 006	-874 466	-1 244 253
residual value at the end of the year	**601 379**	**855 685**	**242 750**	**345 402**

NOTES TO FINANCIAL STATEMENTS (continued)
NOTES TO THE BALANCE SHEET

6. Long-term financial investments

Item	31.12.2010.			31.12.2009.		
	Number	LVL	EUR	Number	LVL	EUR
Other securities		352	501		352	501
(Latvian Fur-Breeders Association)						
Own shares	2 500	2 500	3 557	2 500	2 500	3 557
Total	**2 500**	**2 852**	**4 058**	**2 500**	**2 852**	**4 058**

7. Raw materials and consumables

	31.12.2010. LVL	31.12.2010. EUR	31.12.2009. LVL	31.12.2009. EUR
Forage	83 761	119 181	10 625	15 118
Medication	1 504	2 140	675	960
Fuel for heating	11 954	17 009	17 853	25 403
Repair materials	762	1 084	258	367
Fuel, gas	315	448	79	112
Materials for skin treatment	7 192	10 233	0	0
Total	**105 488**	**150 096**	**29 490**	**41 960**

8. Unfinished production

	31.12.2010. LVL	31.12.2010. EUR	31.12.2009. LVL	31.12.2009. EUR
1) Untanned mink skins	15 993	22 756	261 332	371 842
Total	**15 993**	**22 756**	**261 332**	**371 842**

9. Finished production and goods for sale

	31.12.2010. LVL	31.12.2010. EUR	31.12.2009. LVL	31.12.2009. EUR
Mink skins	1 145 985	1 630 590	1 115 369	1 587 027
Fox skins	3 184	4 530	29 351	41 763
Prepared production	5 501	7 827	0	0
Total	**1 154 670**	**1 642 947**	**1 144 720**	**1 628 790**

10. Prepayments for goods

	31.12.2010. LVL	31.12.2010. EUR	31.12.2009. LVL	31.12.2009. EUR
Prepayment for medication	0	0	870	1 238
Prepayment for forage	235	334	235	334
Total	**235**	**334**	**1 105**	**1 572**

11. Trade debtors

	31.12.2010. LVL	31.12.2010. EUR	31.12.2009. LVL	31.12.2009. EUR
Trade registered value	52 452	74 632	6 451	9 179
Savings for doubtful debtors	-1 978	-2 814	0	0
Net trade debtors	**50 474**	**71 818**	**6 451**	**9 179**

12. Other debtors

	31.12.2010. LVL	31.12.2010. EUR	31.12.2009. LVL	31.12.2009. EUR
Taxes or tax prepayments overpaid in budget	21 431	30 494	0	0
Advance billing parties' debts	1 622	2 308	10	14
Customer debts	1 031	1 467	0	0
VAT 14% indemnity (to farmers)	0	0	160	228
Other debtors	47	67	4 309	6 131
Total	**24 131**	**34 335**	**4 479**	**6 373**

NOTES TO FINANCIAL STATEMENTS (continued)

NOTES TO THE BALANCE SHEET

13. Deferred expenses	**31.12.2010. LVL**	**31.12.2010. EUR**	**31.12.2009. LVL**	**31.12.2009. EUR**
Advertising in catalogs	75	107	0	0
Press subscription	75	107	48	68
Insurance	7 337	10 440	604	859
Total	**7 487**	**10 653**	**652**	**928**

14. Accrued income	**31.12.2010. LVL**	**31.12.2010. EUR**	**31.12.2009. LVL**	**31.12.2009. EUR**
Income accord. LAS No.6 "Income"	**0**	**0**	**9 916**	**14 109**
Total	**0**	**0**	**9 916**	**14 109**

15. Cash	**31.12.2010. LVL**	**31.12.2010. EUR**	**31.12.2009. LVL**	**31.12.2009. EUR**
Cash on hand	20 211	28 758	30 242	43 030
Cash in bank	81 954	5 557	3 905	5 556
Total	**102 165**	**34 315**	**34 147**	**48 587**

16. Information on integrity of the Company's shares

The issued and fully paid Company's equity comprises 500 000 shares with the nominal value LVL 1.00 per share.
The shares are divided into 497 500 ordinary name shares having voting right and 2 500 ordinary shares having no voting right, which are owned by the Company.
Due to the resignation of council members at the year 2010, there were new council members elected at the extraordinary shareholders meeting's at 4th of March and 30th of September, 2010. The changes are registered in LR Business Register at 22th of March and 14th of September, 2010.

The Company shareholders on 18th of April, 2011:

% shares	Shareholders
41,26%	Pēteris Laugalis
6,03%	Jānis Siliņš
5,27%	Gundars Jaunsleinis
3,68%	Agris Nagliņš
11,02%	Jānis Meijubers
11,86%	Argita Jaunsleine
2,04%	Astrīda Ukstiņa
4,55%	SCI AG
14,29%	Other physical persons and companies
100,00%	

17. Provisions	**31.12.2010. LVL**	**31.12.2010. EUR**	**31.12.2009. LVL**	**31.12.2009. EUR**
Provisions for annual holidays	23 060	32 811	52 528	74 741
Increase / (decrease)	-612	-871	-29 468	-41 929
Total	**22 448**	**31 941**	**23 060**	**32 811**

18. Total loans from credit institutions

Name of credit institution, loan repayment dates		**Credit amount acc. to contract**	**31.12.2010. LVL**	**31.12.2010. EUR**	**31.12.2009. LVL**	**31.12.2009. EUR**
Ge Money Bank	15.03.2015.		218 034	310 234	344 187	489 734
Total		**0**	**218 034**	**310 234**	**344 187**	**489 734**

NOTES TO FINANCIAL STATEMENTS (continued)

NOTES TO THE BALANCE SHEET

In February 2010 the JSC "Grobiņa"and the JSC "Ge Money Bank" concluded a agreement on restructuring of the credit line into a credit with the repayment due in March 2015. Company's fulfilment of commitments against JSC Ge Money Bank is getting secured by mortgage and comercial mortgage for all property owned by Company.

Long-term and short-term components	**31.12.2010. LVL**	**31.12.2010. EUR**	**31.12.2009. LVL**	**31.12.2009. EUR**
Long-term:				
from 2 to 5 years	163 426	232 534	0	0
more than 5 years	0	0	0	0
Total long-term:	163 426	232 534	0	0
Short- term	54 608	77 700	344 187	489 734
Total	**218 034**	**310 234**	**344 187**	**489 734**

19. Total other loans	**31.12.2010. EUR**	**31.12.2010. USD**	**31.12.2010. LVL**	**31.12.2009. EUR**	**31.12.2009. USD**	**31.12.2009. LVL**
Loans from physical person				10 672		7 500
Loan in USA dollars with the repayment date	357 781	470 000	251 450	327 019	470 000	229 830
in year 2015 with 2% rate per year - accrued interest	27 887	36 634	19 599	18 948	27 233	13 317
Total	**385 668**	**506 634**	**271 049**	**356 639**	**497 233**	**250 647**

The loan from the physcal person was received in EUR in december 2009 according to the Bank of Latvia exchange rate 0.702804 per one EUR; the total amount of the loan is 10671.54 with the repayment date in March 2010. It is interest-free loan.

Long-term and short-term komponents, excl. finance lease liabilities	**31.12.2010. LVL**	**31.12.2010. EUR**	**31.12.2009. LVL**	**31.12.2009. EUR**
Long-term:				
from 2 to 5 years	0	0	0	0
more than 5 years	251 450	357 781	229 830	327 019
Total long-term:	251 450	357 781	229 830	327 019
Short-term	0	0	7 500	10 672
	19 599	27 887	13 317	18 948
Total short-term:	19 599	27 887	20 817	29 620
Total	**271 049**	**385 668**	**250 647**	**356 639**

NOTES TO FINANCIAL STATEMENTS (continued)

NOTES TO THE BALANCE SHEET

20. Preapayments received from customers

	31.12.2010. LVL	31.12.2010. EUR	31.12.2009. LVL	31.12.2009. EUR
Prepayments received from customers (auction houses)	614 844	874 844	82 340	117 159
Total	**614 844**	**874 844**	**82 340**	**117 159**

21. Trade creditors

	31.12.2010. LVL	31.12.2010. EUR	31.12.2009. LVL	31.12.2009. EUR
Trade creditors	217 731	309 803	272 848	388 228
Total	**217 731**	**309 803**	**272 848**	**388 228**

22. Taxes and liabilities

	31.12.2010. LVL	31.12.2010. EUR	31.12.2009. LVL	31.12.2009. EUR
Social security payments	7 557	10 753	30 265	43 063
Personal income tax	10 482	14 915	23 414	33 315
State dues for busin. risk	0	0	25	36
VAT	0	0	5 704	8 116
Natural resource tax	42	60	58	83
Total	**18 081**	**25 727**	**59 466**	**84 612**

Flow of taxes and dues liabilities in 2010

	Balance 31.12.2009.	Calculated in 2010.	Fines and penalties in 2010	Paid in 2010	Repaid in 2010	Transferred to other taxes	Balance 31.12.2010.
	LVL	LVL	LVL	LVL	LVL	LVL	LVL
Social security payments	30 265	91 610	3 671	19 974		-98 015	7 557
Personal income tax	23 414	49 758	3 176	15 345		-50 521	10 482
VAT	5 704	-176 104	419	0		148 550	-21 431
Real estate tax	0	1 176	2	1 178		0	0
Corporate income tax	0	0	0	0		0	0
Natural resource tax	58	136	1	151		0	42
State dues for busin. risk	25	251	1	261		-14	0
Total	**59 466**	**-33 173**	**7 270**	**36 909**	**0**	**0**	**-3 350**

incl.:

Taxes overpaid (-)	**0**	**-21 431**
Tax creditors (+)	**59 466**	**18 081**

Overpaid VAT tax as at 31.12.2010 amounting to LVL 21 431 is shown in the item "Other debtors"

	Balance 31.12.2008.	Calculated in 2009	Fines and penalties in 2009	Paid in 2009	Repaid in 2009	Transferred to other taxes	Balance 31.12.2009.
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Social security payments	43 063	130 349	5 223	28 420		-139 463	10 753
Personal income tax	33 315	70 799	4 519	21 834		-71 885	14 915
VAT	8 116	-250 573	596	0		211 368	-30 494
Real estate tax	0	1 673	3	1 676		0	0
Corporate income tax	0	0	0	0		0	0
Natural resource tax	83	194	1	215		0	60
State due for business risk	36	357	1	371		-20	0
Total	**84 612**	**-47 201**	**10 344**	**52 517**	**0**	**0**	**-4 767**

incl.:

Taxes overpaid (-)	**0**	**-30 494**
Tax creditors	**84 612**	**25 727**

Overpaid VAT tax as at 31.12.2010 amounting to EUR 30 494 is shown in the item "Other debtors".

NOTES TO FINANCIAL STATEMENTS (continued)

NOTES TO THE BALANCE SHEET

23. Other creditors	**31.12.2010. LVL**	**31.12.2010. EUR**	**31.12.2009. LVL**	**31.12.2009. EUR**
Wages and salaries	10 260	14 599	24 074	34 254
Deductions from salaries	174	248	101	144
Deposited salaries, indemnif. of damages	673	958	673	958
Total	**11 107**	**15 804**	**24 848**	**35 356**

24. Accrued liabilities	**31.12.2010. LVL**	**31.12.2010. EUR**	**31.12.2009. LVL**	**31.12.2009. EUR**
Communication expenses in December	431	613	247	351
Remunaration to the certif. auditors comp. for Annual Report audit	1 000	1 423	1 800	2 561
Electricity in December	6 994	9 952	6 840	9 732
Transport services	4	6	0	0
Services in December	0	0	1 000	1 423
	8 429	**11 993**	**9 887**	**14 068**

Other Explanations

25. Remunaration of Council and Board members in the reporting year

	Council members		**Board members**	
	LVL	**EUR**	**LVL**	**EUR**
Calculated salaries	12 416	17 666	13 870	19 735
Calculated social security payments in reporting year	2 991	4 256	3 341	4 754
	15 407	**21 922**	**17 211**	**24 489**

26. Remunaration of certfied auditors commercial company

	31.12.2010. LVL	**31.12.2010. EUR**	**31.12.2009. LVL**	**31.12.2009. EUR**
For audit of reporting year	2 000	2 846	1 800	2 561
	2 000	**2 846**	**1 800**	**2 561**

27. Assets encumbrance

In February 2010 the JSC "Grobiņa"and the JSC "Ge Money Bank" concluded a agreement on restructuring of the credit line into a credit with the repayment due in March 2015. Company's fulfilment of commitments against JSC Ge Money Bank is getting secured by mortgage and comercial mortgage for all property owned by Company.

28.Information according to the Law on the Financial Instrument Market, Articles 56 and 56.1

Structure of the capital

Issued and fully paid Company's equity consists of 500 000 shares with nominal value LVL 1.00 per share.
The shares are divided into 497 500 ordinary name shares having voting right and 2 500 ordinary shares having no voting right, which are owned by the Company.

Class of shares	**Number of shares**		**% of equity**
	LVL	**EUR**	
Ordinary name shares with voting rights - in public circulation	497 500	707 879	99,5%
Ordinary shares without voting rights - in closed register	2 500	3 557	0,5%
	500 000	**711 436**	**100%**

NOTES TO FINANCIAL STATEMENTS (continued)

NOTES TO THE BALANCE SHEET

List of shareholders having direct or indirect material interest in the corporate enterprise and having particular control rights

Shareholder's name	Position held at the Company as at 18 April 2011	Number of shares as at 18 April 2011	% of equity
Argita Jaunsleine	Chairman of the Council (since 13.10.2010.)	59 300	**11,86%**
Jānis Siliņš	Chairman of the Council (until 14.09.2010.)	30 162	**6,03%**
Gunta Isajeva	Member of the Board	231	**0,05%**
Jānis Meijubers	Member of the Council (since 22.03.2010.)	55 085	**11,02%**
Pēteris Laugalis		206 291	**41,26%**
Gundars Jaunsleinis	Executive director	26 357	**5,27%**

Powers of the Board Members

According to the Statute of the JSC "Grobiņa" each Board member has the right to represent the Company solely.

Shareholders' Rights

Regulated by the Republic of Latvia legislation; the Company's Statute does not stipulate special constraints or regulations related to the voting right.

There is no agreement between the Company and the Board members concerning reimbursment when resigning.

NOTES TO PROFIT AND LOSS ACCOUNT

29. Net turnover	**31.12.2010. LVL**	**31.12.2010. EUR**	**31.12.2009. LVL**	**31.12.2009. EUR**
Income from selling mink skins	1 944 091	2 766 192	1 299 402	1 848 882
Income from selling silver fox skins	27 358	6 108	4 292	6 107
Income from selling polar fox skins	21	30	190	270
Income from services provided and work performed	8 864	12 612	24 885	35 408
Total	**1 980 334**	**2 784 942**	**1 328 769**	**1 890 668**

29a. Net turnover distribution by operation type and geographical markets

Furriery				
Latvia	1 776	2 527	25 023	35 605
Russia	1 223	1 740	47 904	68 161
Finland	822 662	1 170 543	684 979	974 637
Denmark	1 090 312	1 551 374	461 273	656 332
Lithuania	17 471	24 859	80 720	114 854
Ukrane	3 023	4 301	3 984	5 669
Bulgaria	16 952	24 121	0	0
Dagestan	4 066	5 785	0	0
Estonia	3 450	4 909	0	0
Cyprus	10 535	14 990	0	0
Latvia (services)	8 864	12 612	24 886	35 410
Total	**1 980 334**	**2 817 761**	**1 328 769**	**1 890 668**

NOTES TO FINANCIAL STATEMENTS (continued)
NOTES TO PROFIT AND LOSS ACCOUNT (continued)

30. Cost of sales	**31.12.2010. LVL**	**31.12.2010. EUR**	**31.12.2009. LVL**	**31.12.2009. EUR**
Forage	405 324	576 724	564 280	802 898
Medication	59 868	85 184	51 035	72 616
Wages and salaries	230 209	327 558	364 409	518 507
Social security, risk dues	54 875	78 080	85 864	122 173
Fixed assets depriciation	76 897	109 415	93 416	132 919
Electricity	75 619	107 596	62 169	88 459
Soc. security, risk dues	455	647	498	709
Equipment maintenance	13 399	19 065	11 624	16 539
Insurance	8 386	11 932	1 674	2 382
Personnel expenses		0		0
Chips for treatment	43 797	62 318	19 660	27 974
Utilization and other expenses	3 296	4 690	2 307	3 283
Tanning services	0	0	1 497	2 130
Dry waste	1 392	1 981	1 094	1 557
Natural resource tax	135	192	225	320
Personnel training	264	376	370	526
Fuell, gas	14 374	20 452	17 951	25 542
Fuel for heating, chips	29 089	41 390	32 927	46 851
Repair materials	26 879	38 245	13 643	19 412
Ordinary repairs services	13 475	19 173	17 337	24 668
Various services (transport)	28 085	39 961	1 721	2 449
Provisions for annual holidays and social security	-1 952	-2 777	-26 573	-37 810
Cost of the fallen animals (prime cost)	61 974	88 181	0	0
Total prime cost of animals and skins	0	0	809 832	1 152 287
The prime cost for the sold skins at the reference year	1 413 648	2 011 440	0	0
Grown fur animal and produced skin prime cost turnover at the reference year	-886 119	-1 260 834	0	0
Total	**1 673 369**	**2 380 990**	**2 126 960**	**3 026 391**

31. Selling costs	**31.12.2010. LVL**	**31.12.2010. EUR**	**31.12.2009. LVL**	**31.12.2009. EUR**
Commission to auction houses (Finland)	54 179	77 090	56 804	80 825
Commission to auction houses (Denmark)	48 155	68 518	44 862	63 833
Travelling expenses	6 071	8 638	1 090	1 551
Previos years expenses	0	0	94	134
Advertising expenses	75	107	824	1 172
Other expenses	15	21	473	673
Total	**108 495**	**154 374**	**104 147**	**148 188**

32. Administrative expenses	**31.12.2010. LVL**	**31.12.2010. EUR**	**31.12.2009. LVL**	**31.12.2009. EUR**
Communication expenses	4 770	6 787	5 829	8 294
Office maintenance expenses	317	451	386	549
Annual Report expenses	2 000	2 846	1 800	2 561
Bank sevices	1 194	1 699	1 219	1 734
Administration wages	50 114	71 306	55 800	79 396
Provisions for annual holidays and social security	1 340	1 907	-2 895	-4 119
Social security payments	12 068	17 171	13 368	19 021
Fixed assets depriciation	1 529	2 176	1 052	1 497
Currentt assets value write-offs	0	0	31	44
Transport expenses, travelling	6 941	9 876	2 824	4 018
Various services	10 225	14 549	0	0
Lawyer's services	10 599	15 081	3 600	5 122
Membership dues, payments to Riga Stock Exchange	9 041	12 864	9 123	12 981
Other administrative expenses (account. financ. services)	18 117	25 778	28 885	41 100
Total	**128 255**	**182 490**	**121 022**	**172 199**

NOTES TO FINANCIAL STATEMENTS (continued)
NOTES TO PROFIT AND LOSS ACCOUNT (continued)

33. Other operating income	**31.12.2010. LVL**	**31.12.2010. EUR**	**31.12.2009. LVL**	**31.12.2009. EUR**
Subsidies for purchase of breeding animals	8 310	11 824	33 578	47 777
Foreign exchange gains	0	0	2 156	3 068
Bonuss of skin quality	11 317	16 103	0	0
Total	**19 627**	**27 927**	**35 734**	**50 845**

34. Other operating expenses	**31.12.2010. LVL**	**31.12.2010. EUR**	**31.12.2009. LVL**	**31.12.2009. EUR**
Savings for doubtful debtors	1 978	2 814	0	0
Foreign exchange loss	19 064	27 126	0	0
Construction site amount decrease	1 240	1 764	0	0
Total	**22 282**	**31 704**	**0**	**0**

35. Other interest and similar income	**31.12.2010. LVL**	**31.12.2010. EUR**	**31.12.2009. LVL**	**31.12.2009. EUR**
Bank interest	48	68	5	7
Other income	219	312	1 183	1 683
Total	**267**	**380**	**1 188**	**1 690**

36. Interest expenses and similar expenses	**31.12.2010. LVL**	**31.12.2010. EUR**	**31.12.2009. LVL**	**31.12.2009. EUR**
Interest for prepayments	7 932	11 286	7 929	11 282
Interest on short-term credits	12 092	17 205	11 475	30 534
Interest on long-term credits	5 029	7 156	4 597	6 541
Fines and penalties paid	7 903	11 245	278	396
Total	**32 956**	**46 892**	**24 279**	**51 993**

37. Extraordinary income	**31.12.2010. LVL**	**31.12.2010. EUR**	**31.12.2009. LVL**	**31.12.2009. EUR**
Surplus found at inventory	28 177	40 092		
Total	**28 177**	**40 092**	**0**	**0**

38. Extraordinary expenses	**31.12.2010. LVL**	**31.12.2010. EUR**	**31.12.2009. LVL**	**31.12.2009. EUR**
Shortage on skin inventory	40 412	-57 501	0	0
Total	**40 412**	**-57 501**	**0**	**0**

39. Corporate income tax in reporting year	**31.12.2010. LVL**	**31.12.2010. EUR**	**31.12.2009. LVL**	**31.12.2009. EUR**
Corporate income tax in reporting year according to Corporate income tax declaration	0	0	0	0
	0	**0**	**0**	**0**

40. Deferred tax income or expenses	**31.12.2010. LVL**	**31.12.2010. EUR**	**31.12.2009. LVL**	**31.12.2009. EUR**
Temporary difference in provisions for annual holidays	-92	-131	-4 038	-5 746
Temporary difference in fixed assets depriciation	26 966	38 369	-29 239	-41 603
The sum of losses, what reduces the taxable income, temporary differences	-133 186	-189 507	0	0
Deferred tax liabilities (+), assets (-)	**-106 312**	**-151 268**	**-33 277**	**-47 349**

The postponed income tax value for year 2010 is tax asset, that is not valid due to safety principle.

41. Other taxes	**31.12.2010. LVL**	**31.12.2010. EUR**	**31.12.2009. LVL**	**31.12.2009. EUR**
Real estate tax in reporting year	1 176	1 673	1 062	1 511
	1 176	**1 673**	**1 062**	**1 511**

NOTES TO FINANCIAL STATEMENTS (continued)
NOTES TO PROFIT AND LOSS ACCOUNT (continued)

42. Remuneration of certified auditors company

	31.12.2010. LVL	31.12.2010. EUR	31.12.2009. LVL	31.12.2009. EUR
Audit of Annual Report	2 000	2 846	1 800	2 561

The Financial Statement has been signed from from page 1 to page 29.

Member of the Board _____ Gunta Isajeva

Member of the Board _____ Andris Vītoliņš

15th of April, 2011

The Annual Report was approved by ordinary shareholders's meeting on __.April 2011.

There are no objections related to the Audit Report.