Joint Stock Company "GROBIŅA"

(Unified registration number 40003017297)

ANNUAL REPORT

FOR THE PERIOD

01 JANUARY 2012 -
31 DECEMBER 2012

The items of the financial statements were converted to EUR according to the exchange rate defined by the Bank of Latvia
as at 31 December 2012: LVL 1 = EUR 0.702804
as at 31 December 2011: LVL 1 = EUR 0.702804
and it is only for informative purposes.

Dubeņi, Grobiņa district

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General Information

Name of the Company	Joint stock company "Grobiņa"
Legal status of the Company	Public joint stock company
Registration number, place, date	40003017297 Riga, 12 July 2004
Address	Lapsu Street 3, Dubeņi, Grobiņa district 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
Core Business Activities of the Company	Raising of other animals, NACE 01.49
Names and positions of the Board members:	
Chairman of the Board	Gundars Jaunsleinis
Member of the Board	Gunta Isajeva
Member of the Board	Andris Vītoliņš
Names and positions of the Council members:	duration in accordance with data from the Register of Enterprises
Chairman of the Council	Ojārs Osis
Member of the Council	Argita Jaunsleine
Member of the Council	Gunārs Laugalis
Member of the Council	Jānis Meijubers (to 02.10.2012.)
Member of the Council	Linda Elsberģe
Member of the Council	Silvija Neimane (from 02.10.2012.)
Reporting year	01 January 2012 – 31 December 2012
Name and address of the auditor	Marija Jansone Sworn auditor (LACA Certificate No.25) SIA AUDIT ADVICE Sworn auditors company's licence No.134 Riga, Grecinieku Street 9-3, Latvia, LV-1050

Management Report

Core Business Activity

Core business activity of JSC "Grobiņa" is fur-farming of minks for fur production.

Operations during the reporting year

Net turnover of 2012 is LVL 2 195 815, comparing with 2011 net turnover has decreased by 8%. Sales prices for auction houses increased by 38% this year, also by 32% decreased amount of skins sold. Within 12 months of 2012 68 760 mink skins were sold at an average sales price of LVL/pc 31,88 and 8 fox skins were sold at the average sales price of LVL/pc 9,35. In 12 months of 2011 103 086 mink skins were sold at the average sales price of LVL/pc 23,02 and 491 fox skins were sold at the average sales price of LVL/pc 27,69.

The average number of employees in JSC "GROBIŅA" within 12 months of 2012 is 82, in the same period of 2011 - 84 employees.
In 2012 in salaries and wages Company has paid LVL 352 428, average wage and salary per one employee was LVL 358,16. In 2011 in salaries and wages Company has paid LVL 338 673 and average wage and salary's value per employee was LVL 335,99.

Profit of 2012 is LVL 464 196. Net earnings per share is LVL 0.928 or EUR 1.321. Net earnings per share in 2011 were LVL 0.333 or EUR 0.473.

As previously reported, in order to import high quality Scandinavian type smooth-haired breeding herd of 22 000 pregnant minks from Poland, in the first quarter of 2012 were accomplished all farm and production premises disinfectation activities.
Due to the in April 2012 JSC "ABLV Bank" bank's granted financial support, which were taken for JSC "GROBIŅA" project co-finacation, JSC "GROBIŅA" Board members' mentioned project in April 2012 were implemented.

In order to meet the highest quality standarts Company has adapted and introduced world recognised and validated method of mink three time feeding. Expected results are mink quality and size indicator improvement.

Thereby JSC "GROBIŅA" Board members in 2012 managed to obtain high quality mink's skins, which ensured all-time highest sales amount and helped in increasing Company's profit leveles and profitability indicators.

The Board of JSC "GROBIŅA" has prepared a Report on Corporate Governance in 2012. The Report was prepared in accordance with the "Principles of Corporate Governance and Recommendations on Their Implementation" issued by NASDAQ OMX Riga. The Board has been implementing the recommended principles of corporate governance in the JSC "GROBIŅA" pro rata, thus improving the quality of the governance.

Financial Risk Management

The Company's operations are exposed to various financial risks, including credit risk, currency risk and interest rate risk. The Company's Management seeks to minimize negative impact of potential financial risks on the Company's financial position.
The Company is exposed to the foreign currency exchange rate fluctuation risk incurring due to different currencies. The majority of the Company's loans are in EUR. As the goods are exported to the markets where the dominating currency is euro and Danish krone, which had been stabil currencies, the Company's Management does not foresee serious financial risks in the nearest future. Sales trends of recent years shows that the Company is well established in the markets where it sells its goods and the goods produced are competitive.

The Company's loans are at EUR floating interest rate. The Company's Management is considering the possibilities to use financial instruments to minimize interest rate risk.

Financial resources, which potentially expose the Company to certain credit risk concentration level, are mainly cash and trade receivables. At the end of the reporting period the Company was not exposed to significant credit risk concentration level as no customer's debt exceeded 5% of total trade receivables. The Company has implemented and complies with the credit policy by selling goods on credit only to customers with good credit history and not exceeding the credit limit fixed for each customer. Trade receivables are stated at the recoverable amount. The Company's partners in cash transactions are local financial institutions with appropriate 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 2012 the Company's current assets exceeded short-term liabilities by LVL 116 200. Long-term liabilities include long-term loan from bank, the maturity is 10 October 2014. The Company's Management believes that the Company will have sufficient cash resources and its liquidity will not be compromised.

Financial results

Total liquidity ratio = 1.08

Current liquidity ratio = 0.25

Quick liquidity ratio = 0.21

Specific weight of liabilities in the balance sheet =0.51

Debt/Equity Ratio = 1.06

Inventory turnover ratio = 1.24

Asset turnover ratio = 0.56

Profit on sales (%) =21.14%

Return on equity (%) = 24.38 %

Legal proceedings

The Board of JSC "GROBIŅA" members informe, that in 2012 against AS "GROBIŅA" there is no legal proceedings initiated.
However in previous years initiated proceedings against Board and Concil are not completed yet.
Further details on proceedings and results are regularly published.

Subsequent events

In February 2013 Company's 1 278 500 EUR loan in JSC "ABLV Bank" bank was refinanced by conceling credit agreement with JSC "Citadele banka". As a result of loan refinacetion repayment terms were prolonged from 10.10.2014. to 20.07.2015 and also were reduced fixed interest rate from 5% to 4.2%. Loan repayments have to be done every month in accordance with repayment schedule.

As of the last day of the reporting year until the date of signing this report, there have been no other major events requiring adjustments or disclosure in these financial statements.

Management’s proposals on profit sharing

Taking into account 2012 profit volume in Shareholder's meeting JSC "GROBIŅA" Board recommends to consider part of the profit pay as dividends.

Future perspective

In May 2012 JSC "GROBIŅA" began project "Development of fur animal farms" realization. Hence in May 2012 Company has closed lease contract with Pāvilsotas region local municipality for the long-term lot lease with a plot rights. Lot is located in Pāvilosta Vērgenes pagasts "Ceļmalnieki". Leased lot territory will be used to build new streamlined fur-farm.

The aim of modern, fully automated (functioning of the fram can be maintained by approximately 24 employees) and from diseases clean fur-animal (mink) farm building is farm modernization. In the new farm at the same time it will be possible to keep 16 500 breeding mink large herd. Farm will be located 20 km farther from the current farm location.
Total costs of the new farm project implimitation are planned to be LVL 4 160 000, of which expences for the construction and fixed instalations will amount for approximately LVL 2 800 000, technical and equipment costs will amount for LVL 200 000, new breeding mink's acquisition will amount for LVL 1 160 000.

Taking into account massive cost of the project The Board of the JSC "GROBIŅA" submitted an Application to the Rural Support Service (hereinafter referred as RSS) to attract European Agricultural Fund's programme for rural development "Rural holding's modernization" co-financing.

With RSS decision No 04.3/2-11/1971 from 28.08.2012. and decision No 04.1/2-11/2888 from 14.11.2012. co-financing to the JSC "GROBIŅA" project "New fur-animal farm construction" is approved in amount of LVL 1 680 000. The remaining costs of the project in amount of LVL 1 120 000 JSC "GROBIŅA" is planning to cover with credit institution's grated loan.

In order to fulfil this project in February 2013 JSC "GROBIŅA" conclude loan agreement with JSC "Citadele banka" to obtain credit in amount of EUR 3 984 041 with loan time of the granting till the 19.02.2020.
JSC "GROBIŅA" LVL 1 680 000 or EUR 2 390 424 large part of the loan was planning to repay with above mentioned Rural Development co-financing, but remaining amount of the loan to cover with Company's monthly payments in accordance with payment schedule.

New farm construction will begin in March 2013 and will be finished in March 2014. With completing of previously mentioned project JSC "GROBIŅA" will be able to increase production volume to more than 200 000 animal growing. Hence in 2015 in three year's time it is planned to increase Company's net turnover to LVL 6,25 millions.

In 2012 JSC "GROBIŅA" management has started another project's development and realization processes. This project includes new and independent feeding kitchen formation, which in the future could provide with frage not only JSC "GROBIŅA" farms, but also other farms in Latvia and Lithuania. Project implementation in the several years time is devided into separate phases. The volume of the project's investment necessery are planned to be from LVL 1,5 million to 5 million.

JSC "GROBIŅA" managment believes that formation of previously described forage kitchen is one of the most importan precondition for mink farming industry's development in Latvia.

Chairman of the Board_____Gundars Jaunsleinis

Member of the Board_____Gunta Isajeva

Member of the Board_____Andris Vītoliņš

15 March 2013

PAZIŅOJUMS PAR VADĪBAS ATBILDĪBU

The Management of Joint Stock Company "Grobiņa" is responsible for the preparation of the Company's Annual Report.

The Management of Joint Stock Company "GROBIŅA" in accordance with information available confirms that the Annual Report for the financial year 2012 has been prepared in accordance with the requirements of the applicable laws and regulatons and gives a true and fair view on the JSC "Grobiņa" assets, liabilities, financial position and loss. The Management Report provides true review of JSC "Grobiņa" growth and performance results.

Internal risk control procedures are effective, risk management and internal control during the reporting year were performed in accordance with internal control procedures.

The Management of Joint Stock Company "Grobiņa" is responsible for the compliance with the requirements of laws and regulations of the Republic of Latvia.

Chairman of the Board_____ Gundars Jaunsleinis

Member of the Board_____ Gunta Isajeva

Member of the Board_____ Andris Vītoliņš

15 March 2013

BALANCE SHEET

	ASSETS	Notes	31.12.12. LVL	31.12.12. EUR	31.12.11. LVL	31.12.11. EUR
Non-current assets						
I	***Intangible assets***					
	Concessions, patents, licences, trade marks and similar rights		0	0	0	0
	Total intangible assets	3	**0**	**0**	**0**	**0**
II	***Tangible assets***					
	Land, building and construction		326 250	464 212	355 914	506 420
	Equipment and machinery		86 571	123 179	102 576	145 952
	Other fixed assets and equipment		70 400	100 170	67 911	96 629
	Construction in progress		27 172	38 662	25 100	35 714
	Total tangible assets	4	**510 393**	**726 224**	**551 501**	**784 715**
III	***Biological assets***					
	Breeding animals		1 768 218	2 515 948	0	0
	Advance payments for breeding animals		2 811	4 000	312 045	444 000
	Total biological assets	5	**1 771 029**	**2 519 947**	**312 045**	**444 000**
IV	***Long-term financial investments***					
	Other loans and long-term receivables		0	0	2 500	3 557
	Total long-term financial investments	6	**0**	**0**	**2 500**	**3 557**
	Total non-current assets		**2 281 422**	**3 246 171**	**866 046**	**1 232 272**
Current assets						
I	***Inventories***					
	Raw materials and consumables	7	126 449	179 921	26 925	38 311
	Unfinished production	8	1 212	1 725	0	0
	Finished production and goods for sale	9	1 150 962	1 637 671	983 998	1 400 103
	Prepayments for goods	10	0	0	691	983
	Total inventories		**1 278 623**	**1 819 317**	**1 011 614**	**1 439 397**
II	***Receivables***					
	Trade receivables	11	10 850	15 438	30 905	43 974
	Other receivables	12	39 566	56 297	23 020	32 755
	Prepaid expenses	13	5 150	7 328	2 147	3 055
	Total receivables		**55 566**	**79 063**	**56 072**	**79 783**
III	***Cash (total)***	14	**327 309**	**465 719**	**47 320**	**67 330**
	Total current assets		**1 661 498**	**2 364 099**	**1 115 006**	**1 586 511**
	Total assets		**3 942 920**	**5 610 270**	**1 981 052**	**2 818 783**

The accompanying notes from 13 to 30 page form an integral part of these financial statements.

Chairman of the Board_____ Gundars Jaunsleinis

Member of the Board_____ Gunta Isajeva

Member of the Board_____ Andris Vītoliņš

15 March 2013

BALANCE SHEET (continued)

	PASĪVS	Notes	31.12.12. LVL	31.12.12. EUR	31.12.11. LVL	31.12.11. EUR
I	***Equity***					
	Share capital (equity)	15	500 000	711 436	500 000	711 436
	Reserves:					0
	d) other reserves		54 454	77 481	54 454	77 481
	Total reserves		54 454	77 481	54 454	77 481
	Retained earnings					0
	a) retained earnings for the previous year		885 459	1 259 895	719 076	1 023 153
	b) retained earnings for the reporting year		464 196	660 491	166 383	236 742
	Total retained earnings		1 349 655	1 920 386	885 459	1 259 895
	Total equity		**1 904 109**	**2 709 303**	**1 439 913**	**2 048 812**
II	***Provisions***					
	Other provisions	16	30 874	43 930	31 321	44 566
	Total provisions		**30 874**	**43 930**	**31 321**	**44 566**
III	***Liabilities***					
I	***Long-term liabilities***					
	Loans from credit institutions	17	449 443	639 500	108 818	154 834
	Other loans	18	13 196	18 776	0	0
	Total long-term liabilities		**462 639**	**658 276**	**108 818**	**154 834**
II	***Short-term liabilities***					
	Loans from credit institutions	17	449 093	639 002	54 608	77 700
	Other loans	18	8 392	11 941	117 944	167 819
	Prepayments received from customers	19	846 139	1 203 947	159 242	226 581
	Trade payables		178 971	254 653	34 022	48 409
	Taxes and state social insurance payables	20	27 961	39 785	13 982	19 895
	Other payables	21	21 422	30 481	14 121	20 092
	Accrued liabilities	22	13 320	18 953	7 081	10 075
	Total short-term liabilities		**1 545 298**	**2 198 761**	**401 000**	**570 572**
	Total liabilities		**2 007 937**	**2 857 037**	**509 818**	**725 406**
	Total equity and liabilities		**3 942 920**	**5 610 270**	**1 981 052**	**2 818 783**

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15 March 2013

INCOME STATEMENT

	Notes	2012 LVL	2012 EUR	2011 LVL	2011 EUR
Net turnover	23	2 195 815	3 124 363	2 386 790	3 396 096
Cost of sales	24	1 419 164	2 019 288	1 911 783	2 720 222
Gross profit or loss		**776 651**	**1 105 075**	**475 007**	**675 874**
Sales expenses	25	63 065	89 733	103 182	146 815
Administrative expenses	26	213 692	304 056	170 507	242 610
Other operating income	27	85 206	121 237	77 844	110 762
Other operating expenses	28	61 101	86 939	55 463	78 917
Profit or loss from operations		**523 999**	**745 583**	**223 699**	**318 295**
Other interest receivable and similar income	29	0	0	2	3
Interest payable and similar expenses	30	58 378	83 064	85 584	121 775
Profit or loss before extraordinary items and taxes		**465 621**	**662 519**	**138 117**	**196 523**
Extraordinary income	31	0	0	29 506	41 983
Profit or loss before taxes		**465 621**	**662 519**	**167 623**	**238 506**
Other taxes	32	1 425	2 028	1 240	1 764
Profit or loss of the reporting year		**464 196**	**660 491**	**166 383**	**236 742**
Earnings (loss) per share (EPS)		**0,928**	**1,321**	**0,333**	**0,473**

The accompanying notes from 13 to 30 page form an integral part of these financial statements.

Chairman of the Board_____ Gundars Jaunsleinis

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15 March 2013

CASH FLOW STATEMENT (indirect method)

		Notes	2012 LVL	2012 EUR	2011 LVL	2011 EUR
I	***Cash flow from operating activities***					
1	Profit or loss before extraordinary items and taxes		**465 621**	**662 519**	**138 117**	**196 523**
	Adjustments:					
a)	depreciation costs of tangible assets;	4	64 916	92 367	69 940	99 516
b)	write-offs of intangible assets;	3	0	0	14	20
c)	disposals of tangible assets;	4	17 035	24 239	-1 115	-1 587
d)	accruals (other than accruals for doubtful debts);	16	-447	-636	8 873	12 625
e)	profit or loss from foreign currency exchange rate fluctuations;	28	15 171	21 586	-7 431	-10 573
f)	subsidies, grants, endowments, donations;	27	-19 800	-28 173	-16 591	-23 607
g)	other interest receivable and similar income;	29	0	0	-2	-3
h)	interest payable and similar expenses.	30	58 378	83 064	85 584	121 775
2	Profit or loss before corrections of changes in the balances of current assets and short-term liabilities		**600 874**	**854 967**	**277 389**	**394 689**
	Adjustments:					
a)	(increase)/decrease in long-term financial investments;		2 500	3 557	352	501
b)	(increase)/decrease in biological assets;		-1 458 984	-2 075 947	289 334	411 685
c)	(increase)/decrease in receivables balances;		506	720	26 020	37 023
d)	(increase)/decrease in inventories balances;		-267 009	-379 920	264 772	376 737
e)	increase/(decrease) in suppliers, contractors and other creditors payables balances.		859 365	1 222 766	-641 744	-913 119
3	**Gross cash flow from operating activities**		**-262 748**	**-373 857**	**216 123**	**307 515**
4	Interest payable	30	-58 378	-83 064	-85 584	-121 775
5	Immovable property tax expenses	32	-1 425	-2 028	-1 240	-1 764
6	**Cash flow before extraordinary items**		**-322 551**	**-458 949**	**129 299**	**183 976**
7	Cash flow from extraordinary items	31	0	0	29 506	41 983
8	**Net cash flow from operating activities**		**-322 551**	**-458 949**	**158 805**	**225 959**
II.	***Cash flow from investing activities***					
1	Additions in tangible and intangible assets	3,4	-46 604	-66 312	-31 113	-44 270
2	Proceeds obtained from disposal of tangible and intangible assets	4	5 761	8 197	1 152	1 639
3	Interest receivable and similar income	29	0	0	2	3
6	**Cash flow from investing activities**		**-40 843**	**-58 114**	**-29 959**	**-42 628**
III.	***Cash flow from financing activities***					
1	Loans received		1 049 110	1 492 749	80 615	114 705
2	Subsidies, grants, endowments and donations received	27	19 800	28 173	16 591	23 607
3	Loans repaid		-410 356	-583 884	-288 328	-410 254
7	**Net cash flow from financing activities**		**658 554**	**937 038**	**-191 122**	**-271 942**
IV.	***Result of foreign currency exchange rate fluctuation***		-15 171	-21 586	7 431	10 573
V.	***Net cash flow in the reporting year***		**279 989**	**398 388**	**-54 845**	**-78 037**
VI.	***Cash and its equivalents at the beginning of the reporting year***		**47 320**	**67 330**	**102 165**	**145 368**
VII.	**Cash and its equivalents at the end of the reporting year**	**14**	**327 309**	**465 719**	**47 320**	**67 330**

The accompanying notes from 13 to 30 page form an integral part of these financial statements.

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15 March 2013

STATEMENT OF CHANGES IN EQUITY

	2012 LVL	2012 EUR	2011 LVL	2011 EUR
I. Share capital (equity)				
1. Amount in the balance sheet of the previous year	**500000**	**711436**	**500000**	**711436**
4. Amount in the balance sheet at the end of the reporting year	**500000**	**711436**	**500000**	**711436**
V. Reserves				
1. Amount in the balance sheet of the previous year	**54454**	**77481**	**54454**	**77481**
4. Amount in the balance sheet at the end of the reporting year	**54454**	**77481**	**54454**	**77481**
VI. Retained earnings				
1. Amount in the balance sheet of the previous year	**885459**	**1259895**	**719076**	**1023153**
3. Increase/decrease in retained earnings	464 196	660491	166 383	236742
4. Amount in the balance sheet at the end of the reporting year	**1 349 655**	**1920386**	**885 459**	**1259895**
VII. Equity				
1. Amount in the balance sheet of the previous year	**1439913**	**2048812**	**1273530**	**1812070**
3. Amount in the balance sheet at the end of the reporting year	**1904109**	**2709303**	**1439913**	**2048812**

The accompanying notes from 13 to 30 page form an integral part of these financial statements.

Chairman of the Board_____ Gundars Jaunsleinis
Member of the Board_____ Gunta Isajeva
Member of the Board_____ Andris Vītoliņš

15 March 2013

NOTES TO THE FINANCIAL STATEMENTS

ACCOUNTING POLICY

I. General Principles

The financial statements of the Company have been prepared in accordance with the Law of the Republic of Latvia on Annual Reports, Regulations No.488 issued by the Cabinet of Ministers of the Republic of Latvia "Law on annual reports enforcement policies", Regulations No.481 issued by the Cabinet of Ministers of the Republic of Latvia "Regulations on the cash flow statement and statement of changes in equity content and preparation procedures".

Income statement has been prepared by turnover cost method.

Cash flow statement has been prepared using indirect method to calculate cash flow from operating activities.

Accounting policy, accounting and evaluation methods used by the Company have not been changed comparing with the previous reporting year, comparative indicators ar accordingly reclassified.

In order to improve comparability of the data, comparative indicators of Income Statment and complementing comment's clasification in annual report section Notes to the Financial Statments have been chaged. Clasification have been changed in the following captions:

Financial information	Initially shown in caption	Reclassified to the caption	Amount, LVL
Income Statemnt	Net turnover	Other operating income	49492
	Cost of sales	Other operating expenses	48724

Financial reporting year is 12 month and it is equal to calendar year.

Accounting principles used

Items of the financial statements have been evaluated according to the following accounting principles:

1. Assumption, that a Company is a going concern.
2. The same evaluation methods are used as in the previous reporting year.
3. Evaluation is made with proper precaution, taking into account the folowing conditions:
- the report includes profit, that was acquired till the date of the balance sheet;
- all foreseeable risk amounts and losses that incurred during the reporting year or in the previous years have been taken into account even if they have been found out in the period between the date of balance sheet and the date, when annual report was signed;
- any value decrease and depreciated amounts have been calculated and taken into account regardless of whether the reporting year is finished with profit or loss.
4. Income and expenses related to the reporting year are taken into account regardless of the date of payment and the date of invoice receipt or issue. Expenses are reconciled with incomes in the reporting year.
5. Elements of the assets and liabilities items are evaluated separately.
6. Opening balances of the reporting year match closing balances of the previous year except the adjusted
7. All the items, that significantly affect evaluation and decision-making of the annual report users, are disclosed, non-significant items have been combined and the details are disclosed in the notes.
8. Business transactions are disclosed in the annual report, taking into account its economic contents and nature rather than legal form.

Subsequent events

Favorable or adverse events after the balance sheet date of the reporting year are disclosed in the financial statements by reflecting the adjustments in the amounts of the items or by adding new items. If by the time of the preparation of financial statements there has been adverse event that does not relate to the reporting year, but may significantly impact the financial statement users' assessment of Company's assets, liabilities, financial position, profit or loss and cash flow or decision-making in the future, the Management provides information about such events in the Management Report, disclosing the estimated financial impact of the event or informing that it can not be estimated.

Changes in accounting policies, accounting estimates, correction of errors and its disclosure in the financial statements

Accounting policies are changed only if the regulatory framework has changed or if the existing accounting policy no longer meets the true and fair view requirements of the law due to changed circumstances. If a change in accounting policy is caused by normative framework, the impact is disclosed in the financial statements in accordance with established transitional procedures. If the transitional procedures have not been established, the impact of change in accounting policy is evaluated to all respective items of the financial statements of the previous period. Changes in accounting policies are explained in the notes to the financial statements.

Information about the change in accounting estimates is provided in the notes to the financial statements.

Accounting estimates are changed only when subsequent events will change the circumstances that gave rise to the estimate so far, or if there is new information.

Error occurred and discovered during the reporting year or by the time of preparation of annual report is corrected before the financial statements are authorised for issue, adjusting the corresponding financial statement's items.

II. Recognition of revenues and net turnover

Net turnover is the total value of the goods (mink, polar fox and silver fox skins and fur skin products) sold and services provided within the year, subtracting discounts,value added tax and other taxes directly related to sales. Revenue from the product sale is recognized when the buyer has accepted the goods according to the terms and conditions of the goods delivery. Revenue from services provided is recognized at the time services are provided.

Other revenues are recognized as following:

- revenue from rent - at the time it occurs;
- revenues from fines and penalty payments - at the receipt time;
- revenues from insurance compensation - at the receipt time;
- revenues from dividends - when legal right appears;
- revenues from interest - on accrual basis of accounting.

In accordance with principle of accrual basis of accounting expences are recognizes in the period, in which they occur regardless of invoice payment date. Loan costs, which are assoicieted with loans are written-off in the period to which they relate and are shown in the caption "Interest payable and similar expenses".

III. Intangible and tangible assets

Intangible and tangible assets are recorded at purchase value less accumulated depreciation. The purchase value includes expenses, which are directly related to the purchase of the intangible or tangible asset. The purchase value of software licence includes costs of licence purchase and costs, that appeared by the time of implementing it in use. The value of intangible assets is expected to be included in the expenses within five years.

Land is not an object of depreciation. In respect of other assets the depreciation is calculated on a straight-line basis over the estimated useful life of the relevant intangible or tangible asset, in order to write-off the purchase value or the revaluation value of the intangible or tangible asset until its estimated residual value at the end of the useful life using the following rates defined by the Management:

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

The initial value of construction in progress is increased by other direct costs incurred in relation to the object until the new object is put into operation. The initial value of the respective asset is not increased by the interest of the loans used for creation of the new asset in the periods when active development work regarding the construction in progress is not carried out. At the end of the reporting year the construction in progress is evaluated for impairment.

Subsequent costs are included in the balance sheet asset value or recognized as a separate asset only when there is a high probability that future economic benefits, related to this item, will flow to the Company and the costs of this item can be determined credibly. Such costs are written off during the remaining useful life of the tangible asset. When capitalizing the established costs of spare parts, the residual value of the replaced parts is written off in the income statement.

Current repair and maintenance costs of the tangible asset are recorded in the income statement in the period they appeared.

Profit or loss on tangible assets disposals are calculated as the difference between the book value and sales income, and the incomes from the respective tangible asset revaluation reserve written-off, these are recorded in the income statement in the period they appeared.

IV. Finance lease

Leased tangible assets are listed in balance-sheet in the value they could be acquired, if immediate payment were made, only in that case, if fixed assets are under finance lease with purchasing rights and all risks and returns associated with these assets have passed to the Company.

V. Inventories

Inventories are recorded at the lower of product cost and market value. Inventories are measured using the FIFO method. Outdated, slow or damaged inventories are written-off. Inventories are recorded using continuous inventory method.

VI. Trade receivables

Trade receivables are recorded in the balance sheet in the net value, initial costs less an allowance for any doubtful or uncollectible amounts. The allowance for any doubtful or uncollectible amounts is made in the cases, when the Management supposes, that the collection of these amounts is problematic.

VII. Prepaid expenses

Expenses, which occurred after reporting date, but are related to subsequent years, shall be shown in the balance-sheet item "Prepaid expenses"

VIII. Foreign Currency Revaluation to Lats

The accounting in the Company is made in Latvian lats. All transactions in the foreign currency are revaluated to lats according to the official exchange rate defined by the Bank of Latvia at the date of transaction.

Assets and liabilities in the foreign currency are revaluated to lats according to the official exchange rate defined by the Bank of Latvia at the last day of the reporting year. The profit or loss, that derive from the foreign currency exchange rate fluctuations, are disclosed in the income statement in the corresponding

	31.12.2012. (lats)	**31.12.2011.** (lats)	
1 USA dollar	**0,531**	**0,544**	(USD)
1 Euro	**0,702804**	**0,702804**	(EUR)
1 Lithuanian lit	**0,204**	**0,204**	(LTL)
1 Danish krone	**0,0942**	**0,0945**	(DKK)
1 Russian rouble	**0,0174**	**0,0170**	(RUB)

IX. Cash and Cash Equivalents

Cash and cash equivalents for the cash flow statement’s purpose consist of the current accounts balances and short-term deposits with initial term up to 90 days.

X. Financial Risk Management

The Company's principal financial instrument is cash. The main purpose of this financial instrument is to ensure financing for the Company's operations. The Company has various other financial instruments such as consumers and customers debts and other debtors, debts to suppliers and contractors and other creditors, which arise directly from its operations. The company may grant short-term loans to the Management and employees.

Financial risks

The main financial risks arising from the Company's financial instruments are liquidity risk and credit risk.

Interest rate risk

The Company's policy is to ensure that the majority of its borrowings are at fixed rate.

Credit risk

The Company is exposed to credit risk through its trade receivables, other receivables, as well as cash. The Company manages its credit risk by continuously assessing the credit history of customers and assigning credit terms on individual basis. In addition, receivable balances are monitored on an ongoing basis to ensure that the Company's exposure to bad debts is minimised.

The partners in cash transactions are home and foreign financial institutions with a respective credit history.

Liquidity risk

The Company manages its liquidity risk by maintaining an appropriate financing.

XI. Subsidies

Subsidies received for specific types of capital investment are recognized as deferred income, which is gradually included in the revenues during the useful life of the tangible assets received or purchased with the subsidy. Subsidy to cover expenses is recognized in revenues in the same period when the relevant expenditure appeared, provided all the terms and conditions in respect of receiving the subsidy are fulfilled.

XII. Loans

Initially loans are recognized in fair value less costs, related to the loan. In the subsequent periods loans are recorded as the depreciated purchase value, which is calculated 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 income statement.

XIII Taxes

The Corporate income tax costs of the reporting year are included in the financial statements basing on the Management's calculations in accordance with the laws and regulations on taxes of the Republic of Latvia.

Deferred tax is calculated using the liability method on all temporary differences between assets and liabilities in the financial statements and its values for the tax calculation purposes. Deferred tax is calculated using the tax rates, that are in force at the date of the balance sheet, which are expected during the periods, when temporary differencies smooth out. Temporary differences primarily arise from the use of different rates of depreciation of the fixed assets, as well as tax losses that are transfered to subsequent tax periods. A diferred tax asset is recognized if there is a high probability, that a taxable profit will be acquired, which will be object to the deductible temporary differencies.

XIV. Provisions

Provisions are recognized if the Company has present legal or practice obligation that was a result of past events, there is a high probability, that for the completion of the obligation economic benefits outflow will be necessary and the amount may be credibly estimated.

Provisions for unused annual leaves and state social insurance payments for unused leaves are calculated as total provisions for all employees taking into account each employee's average daily salary and accumulated leave days at the end of the reporting period.

XV. Related parties

Related parties are considered to be participants of the Company, members of the Board, members of the Council, their close relatives and the companies, in which mentioned persons have control or significant influence.

XVI. Biological assets

The Company's biological assets are fur animals. The biological assets are measured at fair value. Fair value is determined by the cost calculation. The changes in the amount of biological assets, which results from the measurment at fair value less estimated impairment due to degeneration and increase in value due to reproduction and impairment due to skin production are included in the income statement of the reporting period. The skins produced are included in the inventories and initially measured at fair value according to the cost calculation.

XVII. Investment properties

The Company has no investment property.

XVIII. Accrued liabilities, contingencies

Accrued liabilities are certain amounts payable to suppliers and contructors for goods or services received in the reporting year which at the balance sheet date has not yet been billed according to supply, sales or business contracts or other reasons. These obligations amounts are calculated on the basis of the contract price and the supporting documents of actual receipt of goods or services. A contingent liability disclosures are provided in the notes to the financial statements and - where appropriate - in the Management report. The likely financial impact is indicated where possible and if any expected.
Contingent assets which may arise in connection with certain past events (eg, intention to conclude a contract or option), are not included in the balance sheet. If it is expected that the Company receives future economic benefits from contingent assets, the information is provided in the Management report.

XIX. Earnings per share

Earnings per share are determined by dividing the net profit or loss attributable to company shareholders by the weighted average number of shares during the reporting year.

NOTES TO THE FINANCIAL STATEMENTS

GENERAL NOTES

	2 012		2 011	
1. Average number of employees in the reporting year				
Average number of employees	82		84	
	LVL	**EUR**	**LVL**	**EUR**
2. Total personnel expenses	**436 690**	**621 354**	**419 534**	**596 943**
- salaries	352 428	501 460	338 673	481 888
- state social insurance payments	84 262	119 894	80 861	115 055
- including:				
Remuneration of employees engaged in production (core activity)				
- salaries	263 484	374 904	257 866	366 910
- state social insurance payments	63 436	90 261	63 864	90 870
- total	**326 920**	**465 165**	**321 730**	**457 781**
Renumeration of administration				
- salaries	88 944	126 556	80 807	114 978
- state social insurance payments	20 826	29 633	16 997	24 185
- total	**109 770**	**156 189**	**97 804**	**139 163**
including Reward to the Council				
- reward	18 000	25 612	18 005	25 619
- state social insurance payments	4 218	6 002	4 203	5 980
- total	**22 218**	**31 613**	**22 208**	**31 599**
including Reward to the Board				
- salary for the board member duties	35 169	50 041	15 722	22 370
- salary for the proffesional duties	19 906	28 324	17 045	24 253
- state social insurance payments	13 268	18 879	7 894	11 232
- total	**68 343**	**97 243**	**40 661**	**57 855**

NOTES TO FINANCIAL STATEMENTS (continued)

NOTES TO THE BALANCE SHEET

3. Statement of intangible assets flow

	Company's 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 as at 31.12.2010.			1 937				**1 937**
Purchase (+)			0				**0**
Disposal (-)			-300				**-300**
Purchase value as at 31.12.2011.	0	0	1 637	0	0	0	**1 637**
Depreciation as at 31.12.2010.			1 923				**1 923**
Calculated (+)			14				**14**
Written off (-)			-300				**-300**
Depreciation as at 31.12.2011.	0	0	1 637	0	0	0	**1 637**
Net carrying amount as at 31.12.2010.		**0**	**14**	**0**	**0**	**0**	**14**
Net carrying amount as at 31.12.2011.		**0**	**0**	**0**	**0**	**0**	**0**

	Company's 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 as at 31.12.2010.			2 756				**2 756**
Purchase (+)			0				**0**
Disposal (-)			-427				**-427**
Purchase value as at 31.12.2011.	0	0	2 329	0	0	0	**2 329**
Depreciation as at 31.12.2010.			2 736				**2 736**
Calculated (+)			20				**20**
Written off (-)			-427				**-427**
Depreciation as at 31.12.2011.	0	0	2 329	0	0	0	**2 329**
Net carrying amount as at 31.12.2010.		**0**	**20**	**0**	**0**	**0**	**20**
Net carrying amount as at 31.12.2011.		**0**	**0**	**0**	**0**	**0**	**0**

	Company's 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 as at 31.12.2011.			1 637				**1 637**
Purchase (+)			0				**0**
Disposal (-)			0				**0**
Purchase value as at 31.12.2012.	0	0	1 637	0	0	0	**1 637**
Depreciation as at 31.12.2011.			1 637				**1 637**
Calculated (+)			0				**0**
Written off (-)			0				**0**
Depreciation as at 31.12.2012.	0	0	1 637	0	0		**1 637**
Net carrying amount as at 31.12.2011.	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Net carrying amount as at 31.12.2012.	**0**	**0**	**0**	**0**	**0**	**0**	**0**

	Company's 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 as at 31.12.2011.			2 329				**2 329**
Purchase (+)			0				**0**
Disposal (-)			0				**0**
Purchase value as at 31.12.2012.	0	0	2 329	0	0	0	**2 329**
Depreciation as at 31.12.2011.			2 329				**2 329**
Calculated (+)			0				**0**
Written off (-)			0				**0**
Depreciation as at 31.12.2012.	0	0	2 329	0	0	0	**2 329**
Net carrying amount as at 31.12.2011.	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Net carrying amount as at 31.12.2012.	**0**	**0**	**0**	**0**	**0**	**0**	**0**

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

4. Statement of tangible assets and investment property flow

	Land, building and construction (LVL)	Long-term investm. in rented fixed assets (LVL)	Equipment and machinery (LVL)	Other fixed assets and equipment (LVL)	Construction in progress (LVL)	Advance payments for fixed assets (LVL)	Total (LVL)
Purchase or revaluated value as at 31.12.2010.	1 164 972	0	524 003	215 970	25 100	0	**1 930 045**
Purchased in the reporting year (+)			21 119	9 994			**31 113**
Reclassified (+/-)			-12 124	12 124			**0**
Disposed in the reporting year (+/-)				-21 685			**-21 685**
Purchase or revaluated value as at 31.12.2011.	1 164 972	0	532 998	216 403	25 100	0	**1 939 473**
Accumulated depreciation as at 31.12.2010.	779 289	0	412 204	148 187	0	0	**1 339 680**
Calculated in the reporting year (+)	29 769		19 230	20 941			**69 940**
Reclassified (+/-)			-1 012	1 012			**0**
Disposed in the reporting year (-)				-21 648			**-21 648**
Accumulated depreciation as at 31.12.2011.	809 058	0	430 422	148 492	0	0	**1 387 972**
Net carrying amount as at 31.12.2010.	**385 683**	**0**	**111 799**	**67 783**	**25 100**	**0**	**590 365**
Net carrying amount as at 31.12.2011.	**355 914**	**0**	**102 576**	**67 911**	**25 100**	**0**	**551 501**

	Land, building and construction (EUR)	Long-term investm. in rented fixed assets (EUR)	Equipment and machinery (EUR)	Other fixed assets and equipment (EUR)	Construction in progress (EUR)	Advance payments for fixed assets (EUR)	Total (EUR)
Purchase or revaluated value as at 31.12.2010.	1 657 606	0	745 589	307 298	35 714	0	**2 746 207**
Purchased in the reporting year (+)			30 050	14 220			**44 270**
Reclassified (+/-)			-17 251	17 251			**0**
Disposed in the reporting year (+/-)			0	-30 855			**-30 855**
Purchase or revaluated value as at 31.12.2011.	1 657 606	0	758 388	307 914	35 714	0	**2 759 621**
Accumulated depreciation as at 31.12.2010.	1 108 828	0	586 513	210 851	0	0	**1 906 193**
Calculated in the reporting year (+)	42 357		27 362	29 796			**99 516**
Reclassified (+/-)	0		-1 440	1 440			**0**
Disposed in the reporting year (-)	0		0	-30 802			**-30 802**
Accumulated depreciation as at 31.12.2011.	1 151 186	0	612 435	211 285	0	0	**1 974 906**
Net carrying amount as at 31.12.2010.	**548 777**	**0**	**159 076**	**96 447**	**35 714**	**0**	**840 014**
Net carrying amount as at 31.12.2011.	**506 420**	**0**	**145 952**	**96 629**	**35 714**	**0**	**784 715**

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

4. Statement of tangible assets and investment property flow

	Land, building and construction (LVL)	Long-term investm. in rented fixed assets (LVL)	Equipment and machinery (LVL)	Other fixed assets and equipment (LVL)	Construction in progress (LVL)	Advance payments for fixed assets (LVL)	Total (LVL)
Purchase or revaluated value as at 31.12.2011	1 164 972	0	532 998	216 403	25 100	0	**1 939 473**
Purchased in the reporting year (+)			1 332	29 439	15 833		**46 604**
Disposed in the reporting year (+/-)				-13 553	-13 761		**-27 314**
Purchase or revaluated value as at 31.12.2012.	1 164 972	0	534 330	232 289	27 172	0	**1 958 763**
Accumulated depreciation as at 31.12.2011.	809 058	0	430 422	148 492	0	0	**1 387 972**
Calculated in the reporting year (+)	29 664		17 337	17 915			**64 916**
Disposed in the reporting year (-)				-4 518			**-4 518**
Accumulated depreciation as at 31.12.2012.	838 722	0	447 759	161 889	0	0	**1 448 370**
Net carrying amount as at 31.12.2011.	**355 914**	**0**	**102 576**	**67 911**	**25 100**	**0**	**551 501**
Net carrying amount as at 31.12.2012.	**326 250**	**0**	**86 571**	**70 400**	**27 172**	**0**	**510 393**

	Land, building and construction (EUR)	Long-term investm. in rented fixed assets (EUR)	Equipment and machinery (EUR)	Other fixed assets and equipment (EUR)	Construction in progress (EUR)	Advance payments for fixed assets (EUR)	Total (EUR)
Purchase or revaluated value as at 31.12.2011	1 657 606	0	758 388	307 914	35 714	0	**2 759 621**
Purchased in the reporting year (+)			1 895	41 888	22 528		**66 312**
Disposed in the reporting year (-)				-19 284	-19 580		**-38 864**
Purchase or revaluated value as at 31.12.2012.	1 657 606	0	760 283	330 517	38 662	0	**2 787 069**
Accumulated depreciation as at 31.12.2011.	1 151 186	0	612 435	211 285	0	0	**1 974 906**
Calculated in the reporting year (+)	42 208		24 668	25 491			**92 367**
Disposed in the reporting year (-)				-6 429			**-6 429**
Accumulated depreciation as at 31.12.2012.	1 193 394	0	637 104	230 347	0	0	**2 060 845**
Net carrying amount as at 31.12.2011.	**506 420**	**0**	**145 952**	**96 629**	**35 714**	**0**	**784 715**
Net carrying amount as at 31.12.2012.	**464 212**	**0**	**123 179**	**100 170**	**38 662**	**0**	**726 224**

NOTES TO FINANCIAL STATEMENTS (continued)

NOTES TO THE BALANCE SHEET

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

Property	Cadastre No.	Cadastral value LVL/EUR	Book value LVL/EUR
Land	64600140090 (LVL)	34 678	81 937
	64600140090(EUR)	49 342	116 586
Building and construction	64600140091 (LVL)	59 917	244 313
	64600140091 (EUR)	85 254	347 626

Result of written-off, eliminated and disposed tangible assets:

	31.12.2012. LVL	31.12.2012. EUR	31.12.2011. LVL	31.12.2011. EUR
Purchase value	27 314	38 864	21 685	30 855
Accumulated depreciation (-)	4 518	6 429	21 648	30 802
Net carrying amount	22 796	32 436	37	53
Spare parts, materials and proceeds obtained from disposal of fixed assets (+)	5 761	8 197	1 152	1 639
Profit (+) or loss (-) form disposal of fixed assets	-17 035	-24 239	1 115	1 587

Depreciation of fixed assets and write-off of intangible assets value for tax purposes (Law on Enterprise Income Tax, Section 13)

	Residual value as at 31.12.2011. LVL	Purchased in 2012 LVL	Residual value of disposed fixed asset LVL	Value for depreciation calculation LVL	Rate LVL	Depreciation LVL	Residual value as at 31.12.2012. LVL
Group I	203 385	0	0	203 385	10%	20339	183 047
Group III	333	1 275	0	1 608	70%	1126	482
Group IV	58 827	3 635	0	62 462	40%	24985	37 477
Group IV	6 641	25 861	9 035	23 467	30%	7040	16 427
Total	**269 186**	**30 771**	**9 035**	**290 922**		**53 489**	**237 433**

	Residual value as at 31.12.2011. EUR	Purchased in 2012 EUR	Residual value of disposed fixed asset EUR	Value for depreciation calculation EUR	Rate EUR	Depreciation EUR	Residual value as at 31.12.2012. EUR
Group I	289 391	0	0	289 391	10%	28939	260 452
Group III	474	1 814	0	2 288	70%	1602	686
Group IV	83 703	5 172	0	88 875	40%	35550	53 325
Group IV	9 449	36 797	12 856	33 391	30%	10017	23 373
Total	**383 017**	**43 783**	**12 856**	**413 945**		**76 108**	**337 837**

5. Biological assets

	31.12.2012. LVL	31.12.2012. EUR	31.12.2011. LVL	31.12.2011. EUR
Residual value at the beginning of the year	**312 045**	**444 000**	**601 379**	**855 685**
Purchased breeding animals	1 389 541	1 977 139	0	0
Increase in value due to reproduction (+)	1 292 263	1 838 725	873 650	1 243 092
Decrease in value due to degeneration (-)	-46 012	-65 469	-35 416	-50 392
Decrease due to finished production (-)	-1 176 808	-1 674 447	-1 439 613	-2 048 385
Advance payments for breeding animals	0	0	312 045	444 000
Residual value at the end of the year	**1 771 029**	**2 519 947**	**312 045**	**444 000**

6. Long-term financial investments

Item	31.12.2012.			31.12.2011.		
	Amount	LVL	EUR	Amount	LVL	EUR
Own shares	0	0	0	2 500	2 500	3 557
Total	**0**	**0**	**0**	**2 500**	**2 500**	**3 557**

NOTES TO FINANCIAL STATEMENTS (continued)

NOTES TO THE BALANCE SHEET

7. Raw materials and consumables	**31.12.2012. LVL**	**31.12.2012. EUR**	**31.12.2011. LVL**	**31.12.2011. EUR**
Forage	93 261	132 698	1 976	2 812
Medication	13 047	18 564	11 887	16 914
Fuel for heating	19 491	27 733	11 519	16 390
Repair materials	561	798	819	1 165
Fuel, gas	89	127	724	1 030
Total	**126 449**	**179 921**	**26 925**	**38 311**

8. Unfinished production	**31.12.2012. LVL**	**31.12.2012. EUR**	**31.12.2011. LVL**	**31.12.2011. EUR**
Raw mink skins	1 212	1 725	0	0
Total	**1 212**	**1 725**	**0**	**0**

9. Finished production and goods for sale	**31.12.2012. LVL**	**31.12.2012. EUR**	**31.12.2011. LVL**	**31.12.2011. EUR**
Mink skins	1 149 399	1 635 447	978 398	1 392 135
Fox skins	36	51	99	141
Finished goods	1 527	2 173	5 501	7 827
Total	**1 150 962**	**1 637 671**	**983 998**	**1 400 103**

10. Prepayments for goods	**31.12.2012. LVL**	**31.12.2012. EUR**	**31.12.2011. LVL**	**31.12.2011. EUR**
Prepayment for forage, materials	0	0	691	983
Total	**0**	**0**	**691**	**983**

11. Trade receivables	**31.12.2012. LVL**	**31.12.2012. EUR**	**31.12.2011. LVL**	**31.12.2011. EUR**
Carrying amount of trade receivables	10 850	15 438	34 861	49 603
Allowance for doubtful receivables (-)	0	0	-3 956	-5 629
Net trade receivables	**10 850**	**15 438**	**30 905**	**43 974**

Doubtful debts, which in previous years have been 100% provided, in reporting year were disposed in amount of LVL 3 956.

12. Other receivables	**31.12.2012. LVL**	**31.12.2012. EUR**	**31.12.2011. LVL**	**31.12.2011. EUR**
Overpaid taxes to the budget or tax advances	20 528	29 209	12 597	17 924
Advance person's debt settlement	1 597	2 272	1 597	2 272
Allowance for doubtful receivables	-1 597	-2 272	-1 597	-2 272
Payables for services rendered	3 745	5 329	4 644	6 608
Advance payments for services	15 293	21 760	5 779	8 223
Total	**39 566**	**56 297**	**23 020**	**32 755**

13. Prepaid expenses	**31.12.2012. LVL**	**31.12.2012. EUR**	**31.12.2011. LVL**	**31.12.2011. EUR**
Advertising in catalogs	503	716	463	659
Press subscription	0	0	107	152
Insurance	3 009	4 281	1 577	2 244
Employee training	1 638	2 331	0	0
Total	**5 150**	**7 328**	**2 147**	**3 055**

14. Cash	**31.12.2012. LVL**	**31.12.2012. EUR**	**31.12.2011. LVL**	**31.12.2011. EUR**
Cash on hand	883	1 256	1 386	1 972
Cash in bank	326 426	464 462	45 934	65 358
Total	**327 309**	**465 719**	**47 320**	**67 330**

NOTES TO FINANCIAL STATEMENTS (continued)

NOTES TO THE BALANCE SHEET

15. Information on the Company's own shares

The issued and fully paid Company's equity consists of 500 000 shares with the par value LVL 1.00 per share.

On the 31th of December 2012 500 000 bearer's shares were publicly traded. On the 31th December 2011 publicly traded share amount was 497 500 shares. Till February 2012 2 500 shares with no voting rights were owned by the Company. 2 500 shares owned by the Company were put into public circulation in February 2012.

Capital structure	**31.12.2012.**			**31.12.2011.**		
Class of shares	**% of equity**	**Number of shares**		**% of equity**	**Number of shares**	
		LVL	**EUR**		**LVL**	**EUR**
Bearer's shares with voting rights - publicly traded	100%	500 000	711 436	99,5%	497 500	707 879
Bearer's shares without voting rights	0%	0	0	0,5%	2 500	3 557
	100%	**500 000**	**711 436**	100%	**500 000**	**711 436**

List of shareholders and their position held in the Company on 15 March 2013

Shareholders	**Position held in the Company**	**% from share capital**
Aksana Jansone	Not applicable	41,27%
Gundars Jaunsleinis	Chairman of the Board	25,75%
Argita Jaunsleine	Member of the Council	23,98%
Other shareholders	x	9,00%
Total:	**x**	**100%**

Information about limitations concerning share expropriation rights

Restrictions for expropriation of shares or specific consemt receiption for shares disposal have not been set.

Shareholders' rights and agreements

Regulated by laws and regulations of the Republic of Latvia, the Company's Statutes does not define any special limitations or regulations related to the Company does not possess any information about agreements between shareholders.

Powers of the Board Members and special agreements

According to the Statutes of the JSC "Grobiņa" each Board member has the right to represent the Company alone.
There is no agreement between the Company and the Board members concerning the compensation of resignation.

Regulations of Board members elections and Satute amendments

Regulated by laws and regulations of the Republic of Latvia, the Company's Statutes does not define any special limitations or regulations related to the elections of Board members and Statute amendments.

16. Provisions	**31.12.2012. LVL**	**31.12.2012. EUR**	**31.12.2011. LVL**	**31.12.2011. EUR**
Provisions for leaves in the begining of the year	31 321	44 566	22 448	31 941
Increase / (decrease)	-447	-636	8 873	12 625
Provisions for leaves at the end of the year	**30 874**	**43 930**	**31 321**	**44 566**

17. Loans from credit institutions (total)

Name of credit institution, loan terms	**Maturity**	**Rate**	**31.12.2012. LVL**	**31.12.2012. EUR**	**31.12.2011. LVL**	**31.12.2011. EUR**
Ge Money Bank	March 2015	4,62%	0	0	163 426	232 534
ABLV Bank	Oktober 2014	6 M EURIBOR EUR + 5%	898 535	1 278 500	0	0
Nordea Bank Finland Plc	January 2013	overdraft	1	1	0	0
Total		**0**	**898 536**	**1 278 501**	**163 426**	**232 534**

Liabilities to JSC "ABLV Bank" are ensured with first round mortage on whole Company's estate property, first round commerce pledge on Company's tangible assets, second round commerce pledge on inventories and animal herd and financial pledge on Company's financial assets, which are kept in JSC "GROBIŅA" bank account in JSC "ABLV Bank" bank.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTES TO THE BALANCE SHEET

Long-term and short-term parts of loans from credit institutions	**31.12.2012. LVL**	**31.12.2012. EUR**	**31.12.2011. LVL**	**31.12.2011. EUR**
Long-term:				
from 2 to 5 years	449 443	639 500	108 818	154 834
Total long-term:	449 443	639 500	108 818	154 834
Short-term:	449 093	639 002	54 608	77 700
Total	**898 536**	**1 278 502**	**163 426**	**232 534**

18. Other loans (total)	**31.12.2012. LVL**	**31.12.2012. EUR**	**31.12.2011. LVL**	**31.12.2011. EUR**
Loan from non-resident private person in USA dollars	0	0	54 400	77 404
Accrued interest under the loan agreement 2%. Interest rate 4% under the agreement in 2011	0	0	63 544	90 415
SIA Nordea Finance Latvia leasing agreement	21 588	30 717	0	0
Total	**21 588**	**30 717**	**117 944**	**167 819**

Company's liabilities to SIA Nordea Finance Latvia are ensured with leasing object car

Long-term and short-term parts of other loans	**31.12.2012. LVL**	**31.12.2012. EUR**	**31.12.2011. LVL**	**31.12.2011. EUR**
Long-term:				
from 2 to 5 years	13 196	18 776	0	0
Total long-term:	**13 196**	**18 776**	**0**	**0**
Short-term:	8 392	11 941	117 944	167 819
Total short-term:	**8 392**	**11 941**	**117 944**	**167 819**
Total	**21 588**	**30 717**	**117 944**	**167 819**

19. Prepayments received from customers	**Interest rates**	**31.12.2012. LVL**	**31.12.2012. EUR**	**31.12.2011. LVL**	**31.12.2011. EUR**
Prepayments received from customers (auction houses)	3,75%	846 139	1 203 947	159 242	226 581
Total		**846 139**	**1 203 947**	**159 242**	**226 581**

Company has pledged inventories and animal herd to ensure advance payments from Saga Furs Oyj for fur pups and fur skins from growing season 2011/2012 - 2013/2014. Pleadge have ben registered as a first round commercial pledge.

20. Taxes and state social insurance payables	**31.12.2012. LVL**	**31.12.2012. EUR**	**31.12.2011. LVL**	**31.12.2011. EUR**
State social insurance payments	13 428	19 106	9 252	13 164
Personal income tax	14 380	20 461	4 708	6 699
Unemployment risk duty	20	28	22	31
Company car tax	133	189	0	0
Total	**27 961**	**39 785**	**13 982**	**19 895**

NOTES TO FINANCIAL STATEMENTS (continued)

NOTES TO THE BALANCE SHEET

Tax and duty obligations flow in 2012

	Balance as at 31.12.2011.	Calculated in 2012	Penalty un 2012	Paid in 2012	Repaid in 2012	Deflection to other taxes	Balance as at 31.12.2012.
	LVL	LVL	LVL	LVL	LVL	LVL	LVL
State social insurance payments	9 252	122 738	102	12 201	0	106 463	13 428
Personal income tax	4 708	68 096	710	29 656	0	29 478	14 380
Value added tax	-11 403	-236 206	1		-91 801	-135 941	-19 866
Immovable property tax	0	1 425	0	1 425	0	0	0
Natural resources tax	-1 194	532	0		0	0	-662
Company car tax	0	313	0	180	0	0	133
Unemployment risk duty	22	240	0	242	0	0	20
Total	**1 385**	**-42 862**	**813**	**43 704**	**-91 801**	**0**	7 433

including:

Taxes receivable (-)	**-12 597**	**-20 528**
Taxes payable (+)	**13 982**	**27 961**

Taxes receivable as at 31.12.2012. in the amount of LVL 20528 are shown in the item "Other receivables"

	Balance as at 31.12.2011.	Calculated in 2012	Penalty un 2012	Paid in 2012	Repaid in 2012	Deflection to other taxes	Balance as at 31.12.2012.
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
State social insurance payments	13 164	174 640	145	17 360	0	0	19 106
Personal income tax	6 699	96 892	1 010	42 197	0	0	20 461
Value added tax	-16 225	-336 091	1	0	-130 621	0	-28 267
Immovable property tax	0	2 028	0	2 028	0	0	0
Natural resources tax	-1 699	757	0	0	0	0	-942
Company car tax	0	445	0	256	0	0	189
Unemployment risk duty	31	341	0	344	0	0	28
Total	**1 971**	**-60 987**	**1 157**	**62 185**	**-130 621**	**0**	**10 576**

including:

Taxes receivable (-)	**-17 924**	**-29 209**
Taxes payable (+)	**19 895**	**39 785**

Taxes receivable as at 31.12.2012. in the amount of EUR 29 209 are shown in the item "Other receivables"

21. Other payables	31.12.2012. LVL	31.12.2012. EUR	31.12.2011. LVL	31.12.2011. EUR
Wages and salaries	20 215	28 763	13 270	18 882
Deductions from wages and salaries	516	734	192	273
Deposited salary, compensation for damages	665	946	621	884
Advance person's debt settlement	26	37	38	54
Total	**21 422**	**30 481**	**14 121**	**20 092**

22. Accrued liabilities	31.12.2012. LVL	31.12.2012. EUR	31.12.2011. LVL	31.12.2011. EUR
Communication expenses in December	141	201	114	162
Fees for sworn auditors company for audit of annual report	1 250	1 779	1 650	2 348
Electricity in December	8 384	11 929	5 186	7 379
Transport expenses	195	277	0	0
Services in December	3 350	4 767	131	186
	13 320	**18 953**	**7 081**	**10 075**

NOTES TO FINANCIAL STATEMENTS (continued)
NOTES TO THE INCOME STATEMENT

23. Net turnover	**31.12.2012. LVL**	**31.12.2012. EUR**	**31.12.2011. LVL**	**31.12.2011. EUR**
Revenue from mink skins sales	2 191 928	3 118 833	2 373 446	3 377 109
Revenue from silver fox skins	34	48	12 732	18 116
Revenue from polar fox skins	41	58	612	871
Revenue from fur products	3 812	5 424	0	0
Total	**2 195 815**	**3 124 363**	**2 386 790**	**3 396 096**

23a. Net turnover by geographical segments				
Latvia	15 576	22 163	7 190	10 230
Finland	2 170 019	3 087 659	2 332 478	3 318 817
Denmark	0	0	3 087	4 392
Lithuania	1 252	1 781	10 168	14 468
Ukraine	0	0	33 241	47 298
Greece	8 968	12 760	0	0
Morocco	0	0	626	891
Total	**2 195 815**	**3 124 363**	**2 386 790**	**3 396 096**

24. Cost of sales	**31.12.2012. LVL**	**31.12.2012. EUR**	**31.12.2011. LVL**	**31.12.2011. EUR**
Forage	964 285	1 372 054	408 731	581 572
Medication	94 378	134 288	65 085	92 608
Wages and salaries	263 484	374 904	257 866	366 910
State social insurance payments, unemployment risk duty	63 659	90 579	64 092	91 195
Depreciation	61 866	88 027	66 677	94 873
Electricity costs	81 341	115 738	81 013	115 271
Security costs	1 194	1 699	1 391	1 979
Equipment maintenance services	20 250	28 813	16 231	23 095
Insurance costs	4 048	5 760	13 284	18 901
Chips for treatment	6 493	9 239	22 901	32 585
Utilization and other expenses	9 707	13 812	16 898	24 044
Dry waste	740	1 053	2 354	3 349
Natural resources tax	383	545	872	1 241
Staff training, business trip expenses	2 020	2 874	756	1 076
Fuel, gas	23 549	33 507	19 644	27 951
Fuel for heating, chips	19 829	28 214	24 495	34 853
Repair materials	78 034	111 032	33 707	47 961
Current repairs services	10 638	15 137	16 307	23 203
Various services (transport expenses etc.)	77 219	109 873	3 756	5 344
Provisions for leaves and state social insurance payments	1 534	2 183	7 680	10 928
Cost of the fallen animals (prime cost)	46 012	65 469	35 548	50 580
Total prime cost of animals and skins				
Prime cost of the sold fur skins and products in the reporting year	1 403 612	1 997 160	1 844 257	2 624 141
Prime cost turnover of grown fur animals and processed skins in reporting year	-1 815 111	-2 582 670	-1 091 762	-1 553 437
Total	**1 419 164**	**2 019 288**	**1 911 783**	**2 720 222**

NOTES TO FINANCIAL STATEMENTS (continued)

NOTES TO THE INCOME STATEMENT

25. Sales expenses	**31.12.2012. LVL**	**31.12.2012. EUR**	**31.12.2011. LVL**	**31.12.2011. EUR**
Commission to auction houses (Finland)	61 928	88 116	102 720	146 157
Commission to auction houses (Denmark)	0	0	163	232
Advertising expenses	1 137	1 618	299	425
Total	**63 065**	**89 733**	**103 182**	**146 815**

26. Administrative expenses	**31.12.2012. LVL**	**31.12.2012. EUR**	**31.12.2011. LVL**	**31.12.2011. EUR**
Communication expenses	4 111	5 849	3 168	4 508
Office maintenance expenses	1 001	1 424	866	1 232
Annual report expenses	2 700	3 842	3 300	4 695
Bank sevices	21 288	30 290	2 182	3 105
Administration salaries	88 944	126 556	80 807	114 978
Provisions for leaves and state social insurance payments	0	0	1 193	1 697
State social insurance payments, unemployment risk duty	20 845	29 660	17 016	24 212
Depreciation	3 050	4 340	3 277	4 663
Transport, business trip expenses	9 928	14 126	6 890	9 804
Various services and expenses	13 759	19 577	9 108	12 960
Legal services	19 226	27 356	8 990	12 792
Membership dues, payments to the Riga Stock Exchange	9 340	13 290	13 210	18 796
Accounting and other financial services	19 500	27 746	20 500	29 169
Total	**213 692**	**304 056**	**170 507**	**242 610**

27. Other operating income	**31.12.2012. LVL**	**31.12.2012. EUR**	**31.12.2011. LVL**	**31.12.2011. EUR**
Income from forage and other tangible assets	30 800	43 824	49 372	70 250
Income from service provision and work execution	29 387	41 814	120	171
Subsidies for purchase of breeding animals	19 800	28 173	16 591	23 607
Income from foreign currency exchange rate fluctuations	0	0	7 431	10 573
Income from sale of tangible assets	0	0	1 152	1 639
Decrease of provisions for leaves	1 981	2 819	0	0
Benefits of share selling	2 875	4 091	0	0
Other income	363	517	3 178	4 522
Total	**85 206**	**121 237**	**77 844**	**110 762**

28. Other operating expenses	**31.12.2012. LVL**	**31.12.2012. EUR**	**31.12.2011. LVL**	**31.12.2011. EUR**
Sold forage expenses	28 122	40 014	48 724	69 328
Losses from foreign currency exchange rate fluctuations and buying/selling	15 171	21 586	0	0
Allowance for doubtful debts	0	0	3 575	5 087
Construction in progress write-off	13 761	19 580	0	0
Losses on disposal of fixed assets	3 275	4 660	37	53
Various expenses	772	1 098	547	778
Commission	0	0	89	127
Expenses for fur auctions in the previous tax periods	0	0	2 491	3 544
Total	**61 101**	**86 939**	**55 463**	**78 917**

29. Other interest receivable and similar income	**31.12.2012. LVL**	**31.12.2012. EUR**	**31.12.2011. LVL**	**31.12.2011. EUR**
Bank interest	0	0	2	3
Total	**0**	**0**	**2**	**3**

30. Interest payable and similar expenses	**31.12.2012. LVL**	**31.12.2012. EUR**	**31.12.2011. LVL**	**31.12.2011. EUR**
Interest on advances in auction houses	20 377	28 994	30 788	43 807
Interest on short-term loans	427	608	185	263
Interest on long-term loans	36 255	51 586	53 057	75 493
Fines and penalties paid	1 319	1 877	1 554	2 211
Total	**58 378**	**83 064**	**85 584**	**121 775**

NOTES TO FINANCIAL STATEMENTS (continued)

NOTES TO THE INCOME STATEMENT

31. Extraordinary income	**31.12.2012. LVL**	**31.12.2012. EUR**	**31.12.2011. LVL**	**31.12.2011. EUR**
Surplus identified at the inventory	0	0	29 506	41 983
Total	**0**	**0**	**29 506**	**41 983**

Deferred tax income or expenses	**31.12.2012. LVL**	**31.12.2012. EUR**	**31.12.2011. LVL**	**31.12.2011. EUR**
Temporary difference in provisions for annual leave	4 631	6 589	4 698	6 685
Temporary difference in tangible assets depriciation	24 578	34 971	26 292	37 410
Temporary differences of the loss amounts, that reduce the taxable income	-31 414	-44 698	-102 195	-145 410
Deferred tax liabilities (+), assets (-)	**-2 205**	**-3 137**	**-71 205**	**-101 316**

Deferred tax calculated for the year 2012 and 2011 is tax asset that in accordance with the precautionary principle is not recognized.

32. Other taxes	**31.12.2012. LVL**	**31.12.2012. EUR**	**31.12.2011. LVL**	**31.12.2011. EUR**
Immovable property tax in the reporting year	1 425	2 028	1 240	1 764
	1 425	**2 028**	**1 240**	**1 764**

OTHER NOTES TO FINANCIAL STATEMENTS

33. Fees for sworn auditors company

	31.12.2012. LVL	**31.12.2012. EUR**	**31.12.2011. LVL**	**31.12.2011. EUR**
Audit of annual report	2 500	3 557	3 300	4 695
Translation of annual report	200	285	0	0
	2 700	**3 842**	**3 300**	**4 695**

34. Guarantees and off-balance-sheet liabilities

Guarantees are not issued

There is non Off-balanc-sheet liabilities

35. Received financial assistance and other forms of financial support

In reporting year Company was granted with state aid in amount of LVL 19 800 for breeding works and animal growing in non-traditional sector. Funding was received in September 2012

In reporting year Company was grated with European Agricultural Fund's for Rural Development public funding project's "Development of fur animal farms" support in amount of LVL 1 680 100. Granted amount of co-financing covers 60% of construction costs.

Implementation of the project begins on 1 October 2012 and will be completed till 30 March 2014. Public fund will be received in parts starting with May 2013 to March 2014.

All fund provider's requirements concerning in previous years recived funds are fulfilled.

Company had no liabilitis concerning failures to comply with finacation provider's regulations.

In reporting year Company has not received national or local municipality guarantees or investments in equity capital.

In March and May of reporting year Company has received state social insurance payments and personal income tax current payments' extensions for period of three month.

In reporting year Company has not received contributions or donations.

36. Transactions with related parties

Income

	31.12.2012. LVL	**31.12.2012. EUR**	**31.12.2011. LVL**	**31.12.2011. EUR**
Income from fur-skin sales to the Board member G.Isajevai	328	467	199	283
Total	**328**	**467**	**199**	**283**

Expences

	31.12.2012. LVL	**31.12.2012. EUR**	**31.12.2011. LVL**	**31.12.2011. EUR**
Expences for legal servicess from the member of Council A.Jaunsleines legal office Sole Proprietor	18 900	26 892	7 259	10 329
Expences for accounting services from the member of Council S.Neimane LTD "SN Finanses" (Board and Council member)	6 000	8 537	0	0
Total	**24 900**	**35 430**	**7 259**	**10 329**

In 2012 Company has received and repaid short-term loan with no interest applyed from Council member and shareholder Agrita Jaunsleine and Chairman of the Board and shareholder Gundars Jaunseinis.

For all transactions with related parties are used market prices

NOTES TO FINANCIAL STATEMENTS (continued)
OTHER NOTES TO FINANCIAL STATEMENTS

37. Lease Contracts

In reporting year Company has concluded contract with Pāvilsotas region local municipality for long-term lot lease with plot rights. To implement European Agricultural Funds' project "Development of fur animal farms" on the leased lot territory are planned to build new streamlined fur farm.

38. Liabilities to former employees

Company has liabilitis to former employees concerning injuries, which occured in the event of an accident at work.

Expences	**31.12.2012. LVL**	**31.12.2012. EUR**	**31.12.2011. LVL**	**31.12.2011. EUR**
Compensation for damage	1616	2299	1616	2299
Invalidity pension and addition payments for invalidity pension	1406	2001	1209	1720
Total	**3022**	**4300**	**2825**	**4020**

39. Subsequent events

In February 2013 Company's 1 278 500 EUR loan in JSC "ABLV Bank" was refinanced by conceling credit agreement with JSC "Citadele banka". As a result of loan refinacetion repayment terms were prolonged from 10.10.2014. to 20.07.2015 and also were reduced fixed interest rate from 5% to 4.2%. Loan repayments have to be done every month according with repayment schedule.

As of the last day of the reporting year until the date of signing this report, there have been no major events requiring adjustments or disclosure in these financial statements.

40. Monetary assets and liabilities

Company is primarily exposed to foreign exchange risk with EUR currency.

	31.12.2012. EUR	**31.12.2011. EUR**
Monitary assets, EUR	469312	98329
Monitary liabilities, EUR	-2551754	-493950
Balance-sheet item EUR, neto	**-2082443**	**-395621**
Bilance-sheet item LVL, neto	**-1463549**	**-278044**

98% -99% of Company's income is in EUR currency. In 2012 losses from EUR currency selles are 15 136 LVL.

41. Explanation of the changes in the "Annual Report for the period 01 January 2012 – 31 December 2012" in comparison with the published "Unaudited Financial Statements for 12 Months Period of Year 2012"

In comparison with the earlier published "Unaudited Financial Statements for 12 Months Period of Year 2012" the Net turnover has changed about LVL 60 187. In the "Annual Report for the period 01 January 2012 – 31 December 2012" there has been made financial item requalification in the Income statement. Income from forage and other tangible assets 30 800 LVL and Income from service provision and work execution 29 387 LVL, totally 60 187 LVL has been requalified from financial item "Net turnover" to financial item "Other operating income". There are no other changes made in the "Annual Report for the period 01 January 2012 – 31 December 2012" in comparison with the "Unaudited Financial Statements for 12 Months Period of Year 2012".

The financial statements have been signed from page 1 to page 30.

Chairman of the Board _____ Gundars Jaunsleinis

Member of the Board _____ Gunta Isajeva

Member of the Board _____ Andris Vītoliņš

15 March 2013