

Joint Stock Company

GROBINA

40003017297

**Unaudited
Financial Statements
for 12 Months Period
of Year 2010**

CONTENT

Information on the Company	3
Management Report on the Performance Results of Year 2010	4
Profit or Loss Calculation of Year 2010	5
Balance Sheet on December 31, 2010	6-7
Report on Changes of Shareholders' Equity of Year 2010	8
Cash Flow Statement of Year 2010	9
Appendix	10
Notice on Management's Responsibilities	12

INFORMATION ON THE COMPANY

Company Name	Joint Stock Company "Grobiņa"
Legal Status of the Company	Public Joint Stock Company
Registration No., Place, Date in the Commercial Register	Unified Registration No.: 40003017297 Riga, 12 July 2004
Legal Address	3 Lapsu Street, Dubeņi, Grobiņa Civil Parish, Grobiņa County, LV 3438, Latvia
Operating Activities	Fur-farming, manufacturing, processing and marketing, trade and brokerage of agricultural produce, transport service, renting out immovable property
Chairwoman of the Council	Jānis Siliņš (20.07.2007.-14.09.2010.) Argita Jaunsleine (no 13.10.2010.)
Members of the Council	Gunārs Laugalis (no 22.03.2010.) Jānis Meijubers (no 22.03.2010.) Genādijs Jefimovs (20.07.2007.-22.03.2010.) Ojārs Petrēvics (20.07.2007.-22.03.2010.) Dagmāra Šlosberga (22.03.2010.-14.09.2010.) Aivars Žvagulis (22.03.2010.-14.09.2010.) Santa Blīgzna (13.10.2010.-10.03.2011.) Sarmīte Ziediņa (13.10.2010.-10.03.2011.)
Chairwoman of the Board	Daina Kalniņa until 01.03.2011.
Members of the Board	Andris Vītoļiņš Gunta Isajeva
Reporting Period	1 January 2010 – 31 December 2010

MANAGEMENT REPORT ON THE PERFORMANCE RESULTS OF YEAR 2010

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

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

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

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

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

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

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

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

Year 2010 was completed with the profit of 21,460 lats, the net income per share is 0.04 lats or 0.06 euro; in 2009, the net loss per share was 1.957 lats or 2.785 euros.

Andris Vītoliņš
Member of the Board

Gunta Isajeva
Member of the Board

Dubēni, 21 April 2010

**PROFIT OR LOSS CALCULATION
OF YEAR 2010**

	2010	2010	2009	2009
	LVL	EUR	LVL	EUR
1 Net Turnover	1980334	2817761	1328769	1890668
2 Production Cost of Sold Produce	(1673369)	(2380990)	(2126960)	(3026391)
3 Gross Profit	306965	436772	(798191)	(1135723)
4 Distribution Costs	(108495)	(154374)	(104147)	(148188)
5 Administrative Expenses	(128255)	(182490)	(121022)	(172199)
6 Other Operating Income	19627	27927	35734	50845
7 Other Operating Expenses	(22282)	(31704)	-	-
8 Interest Income and Other Similar Income	267	380	1188	1690
9 Interest Payments and Other Similar Expenses	(32956)	(46892)	(24279)	(34546)
10 Profit or Loss before extraordinary items and taxes	34871	49617	(1010717)	(1438121)
11 Extraordinary Income	28177	40092	-	-
12 Extraordinary Expenses	(40412)	(57501)	-	-
13 Profit or Loss before Taxes	22636	32208	(1010717)	(1438121)
14 Income from Deferred Tax Liabilities (expenses)	-	-	33277	47349
15 Other Taxes	(1176)	(1673)	(1062)	(1511)
16 Profit of the Accounting Year	21460	30535	(978502)	(1392283)
17 Earning per Share (EPS)	0.04	0.06	-1.957	-2.785

Andris Vītoliņš
Member of the Board

Gunta Isajeva
Member of the Board

Dubeņi, 21 April 2011

BALANCE SHEET ON 31 DECEMBER 2010

<u>Assets</u>	2010 LVL	2010 EUR	2009 LVL	2009 EUR
Long-term Investments				
I Intangible Investments				
2 Concessions, Patents, Licences and Similar Rights	14	20	119	169
Total:	14	20	119	169
II Tangible fixed assets:				
1 Land, Buildings, Constructions and Perennial Plants	385683	548777	415453	591136
3 Equipment and Machinery	111799	159076	81109	115408
4 Other Tangible Fixed Assets and Inventory	67783	96447	58438	83150
5 Expenses on Assets under Construction	25100	35714	26340	37478
Total:	590365	840014	581340	827172
IV Biological Assets	601379	855685	242750	345402
V Long-term Financial Investments				
5. Other Securities and Investments	352	501	352	501
7. Stocks and Shares	2500	3557	2500	3557
Total:	2852	4058	2852	4058
Total Long-term Investments	1194610	1699777	827061	1176801
Current assets				
I Inventories:				
1 Raw Materials, Basic Materials and Auxiliary Materials	105488	150096	29490	41960
2 Unfinished Goods	15993	22756	261332	371842
3 Finished Goods and Goods for Sale	1154670	1642947	1144720	1628790
5. Prepayments for Goods	235	334	1105	1572
Total:	1276386	1816134	1436647	2044164
II Debtors:				
1 Customers' Debts	50474	71818	6451	9179
4 Other Debtors	24131	34335	4479	6373
7 Deferred Expenses	7487	10653	652	928
8 Accrued Revenues	-	-	9916	14109
Total:	82092	116806	21498	30589
IV Cash (Total)	102165	145368	34147	48587
Total Current Assets:	1460643	2078308	1492292	2123340
Total Assets	2655253	3778085	2319353	3300142

BALANCE SHEET ON 31 DECEMBER 2010

	2010 LVL	2010 EUR	2009 LVL	2009 EUR
<u>Liabilities</u>				
Equities:				
1 Share capital	500000	711436	500000	711436
5 Reserves				
c) Statutory Reserves	54454	77481	54454	77481
6 Retained Earnings:				
a) previous	697616	992618	1676118	2384901
b) for the period	21460	30535	(978502)	(1392283)
Total :	1273530	1812070	1252070	1781535
Provisions:				
3 Other Provisions	22448	31941	23060	32811
Total:	22448	31941	23060	32811
Creditors:				
Long-term Creditors:				
3 Loans from Credit Institutions	163426	232534	-	-
4 Other Loans	251450	357781	229830	327018
Total:	414876	590315	229830	327018
Short-term Creditors:				
3 Loans from Credit Institutions	54608	77700	344187	489734
4 Other Loans	19599	27887	20817	29620
5 Prepayments Received	614844	874844	82340	117159
6 Outstanding Payments for Suppliers and Contractors	217731	309803	272848	388228
10 Tax and Social Payments	18081	25727	59466	84612
11 Other Creditors	11107	15804	24848	35356
13 Accrued Liabilities	8429	11993	9887	14068
Total:	944399	1343759	814393	1158777
Total Debts to Creditors:	1359275	1934074	1044223	1485795
<u>Total Liabilities</u>	<u>2655253</u>	<u>3778085</u>	<u>2319353</u>	<u>3300142</u>

Andris Vītoliņš
Member of the Board

Gunta Isajeva
Member of the Board

Dubeņi, 21 April 2011

REPORT ON CHANGES OF SHAREHOLDERS' EQUITY OF YEAR 2010

	Share capital	Share capital	Statu- tory reser- ves	Statu- tory reser- ves	Retained earnings	Retained earnings	Total	Total
	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
Balance on 1 January 2009	500000	711436	54454	77481	1676118	2384901	2230572	3173818
Profit of the Reporting Period					(978502)	(1392283)	(978502)	(1392283)
Balance on 31 December 2009	500000	711436	54454	77481	697616	992618	1252070	1781535
Profit of the Reporting Period					21460	30535	21460	30535
Balance on 31 December 2010	500000	711436	54454	77481	719076	1023153	1273530	1812070

Andris Vītoliņš
Member of the Board

Gunta Isajeva
Member of the Board

Dubēni, 21 April 2011

CASH FLOW STATEMENT OF YEAR 2010

	2010 LVL	2010 EUR	2009 LVL	2009 EUR
Cash Flow from Operating Activities				
1 Profit or Loss before Taxes	34871	49617	(1010717)	(1438121)
<u>Adjustments for:</u>				
a) amortisation of fixed assets	78321	111441	94317	134201
b) amortisation of intangible assets	105	149	152	216
c) liquidation of fixed assets	1240	1764	31	44
d) accruals (except accruals for unsecured debts)	(612)	(871)	(29468)	(41929)
e) gain/loss from fluctuations of currency exchange rates	19064	27126	(2156)	(3068)
f) grants received	(8309)	(11823)	(33579)	(47779)
g) other interest income and similar income	(267)	(380)	(1188)	(1690)
h) interest payments	32956	46892	24279	34546
2 Profit or Loss before Adjustments of Change Effect in Current Asset and Short-term Liability Balance	157369	233916	(958329)	(1363579)
a) Increase/ Decrease in Biological Asset Balance	(358629)	(510283)	265091	377191
b) Increase/Decrease in Inventory Balance	160261	228031	606416	862852
c) Increase/Decrease in Receivables	(60594)	(86217)	(1808)	(2573)
d) Increase/Decrease in Outstanding Payment Balance for Suppliers and Contractors	420803	598749	101553	144497
3 Gross Cash Flow from Operations	319210	454195	12923	18388
4 Interest Payments	(32956)	(46892)	(24279)	(34546)
5 Real Estate Tax Payments	(1176)	(1673)	(1062)	(1511)
8 Net Cash Flow from Operations	285078	405629	(12418)	(17669)
9 Cash Flow from Extraordinary Items	(12235)	(17409)	-	-
10 Net Cash Flow from Operating Activities	272843	388221	(12418)	(17670)
 Cash Flow from Investing Activities				
1 Purchase of Fixed Assets and Intangible Assets	(88586)	(126047)	(578)	(822)
2 Received Interest	267	380	1188	1690
9 Net Cash Flows from Investing Activities	(88319)	(125667)	610	868
 Cash Flow from Financing Activities				
1 Received Loans	20402	29029	2166	3082
2 Loan Payment Expenses	(126153)	(179500)	-	-
3 Received Grants	8309	11823	33579	47779
10 Net Cash Flow from Financing Activities	(97442)	(138647)	35745	50861

Effect of Currency Exchange Rate Fluctuations	(19064)	(27126)	2156	3068
Net Cash Flow of the Reporting Period	68018	96781	26093	37127
Cash and Cash Equivalent Balance at the Beginning of the Reporting Period	34147	48587	8054	11460
Cash and Cash Equivalent Balance at the End of the Reporting Period	102165	145368	34147	48587

Andris Vītoliņš
Member of the Board

Gunta Isajeva
Member of the Board

Dubēni, 21 April 2011

APPENDIX

I Accounting Policy

a. General Principles

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

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

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

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

b. Net Turnover

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

c. Intangible and Fixed assets

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

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

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

d. Biological Assets

Fur-bearing animals are recognized as biological assets.

e. Inventory

The Inventories are estimated using the FIFO method.

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

1.5 Trade Receivables

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

1.6 Cash and Cash Equivalents

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

1.7 Accruals for unused annual leaves

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

1.8 Grants

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

2 Foreign Currencies

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

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

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

3. Earnings per share (EPS)

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

4. Average number of employees

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

NOTICE ON MANAGEMENT'S RESPONSIBILITIES

The interim financial statements are the responsibility of the management of JSC "Grobiņa".

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

The management of JSC "Grobiņa" is responsible for the performance of the requirements of the legislation of the Republic of Latvia.

Daina Kalniņa
Chairwoman of the Board

Gunta Isajeva
Member of the Board

Dubēni, 24 February 2011