

Joint Stock Company "GROBIŅA"

(Unified registration number 40003017297)

ANNUAL REPORT

FOR THE PERIOD

01 JANUARY 2011 -

31 DECEMBER 2011

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 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	Fur-farming, growing, processing and sales of agricultural products, trade and mediation, renting out premises
Names and positions of the Board members:	
Chairman of the Board	Gundars Jaunsleinis from 27 May 2011
Chairman of the Board	Daina Kalniņa till 01 March 2011
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 (from 28.04.2011.)
Chairman of the Council	Argita Jaunsleine (from 13.10.2010. till 28.04.2011.)
Member of the Council	Gunārs Laugalis (from 22.03.2010.)
Member of the Council	Jānis Meijubers (from 22.03.2010.)
Member of the Council	Santa Blīgzna (13.10.2010.-10.03.2011.)
Member of the Council	Sarmīte Ziediņa (13.10.2010.-10.03.2011.)
Member of the Council	Argita Jaunsleine (from 28.04.2011.)
Member of the Council	Linda Elsberģe (from 28.04.2011.)
Reporting year	01 January 2011 – 31 December 2011
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, Brivibas Street 40-48, Latvia, LV-1050

Management Report

Core Business Activity

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

Operations during the reporting year

Net turnover of 2011 amounts LVL 2 436 282, it has increased by 23% comparing with 2010. Sales prices for auction houses increased by 56% this year, so inspite of the decrease in the amount of skins sold, net turnover has increased. Within 12 months of 2011 103 086 mink skins were sold at an average sales price of LVL/pc 23,02 and 491 fox skins were sold at the average sales price of LVL/pc 27,69. In 12 months of 2010 118369 mink skins were sold at the average sales price of LVL/pc 16,42 and 2012 fox skins were sold at the average sales price of LVL/pc 13,61.

The average number of employees of JSC Grobiņa within 12 months of 2011 is 84, in the same period of 2010 - 87 employees.

Profit of 2011 is LVL 166 383. Net earnings per share is LVL 0.333 or EUR 0.473. Net earnings per share in 2010 were LVL 0.043 or EUR 0.061.

The Board of JSC "Grobiņa" has prepared a Report on Corporate Governance in 2011. 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.

Evaluation of fixed assets

With regard to shareholders' proposals received and the request for the JSC "Grobiņa" to reevaluate fixed assets, the Management of JSC "Grobiņa" explains that under Section 29 of the Law of the Republic of Latvia on Annual Reports revaluation of the Company's fixed assets must be based on the belief that Company's asset's fair value is significantly higher or significantly lower than the value in the balance sheet and the value increase or decrease will be sustained (section 5.1.3.of the Regulations No.488 issued by the Cabinet of Ministers of the Republic of Latvia), the evaluation of JSC "Grobiņa" immovable and movable property carried out by certified real estate valuer LLC "Eiroeksperts" in November 2011 can not be used in Company's accounting, to determine fair value of fixed assets, because:

- a) the aim of the evaluation was assessing the value for collateral for attracting financing and credit experts have given the restriction that the "Content and results of the evaluation presented are valid only for the mentioned purpose."
- b) the evaluation didn't determine market or fair value of each building and land, as LLC "Eiroeksperts" made the evaluation by using the revenue method, by which commercial object is actually measured, based on revenue projections submitted by the Company, leading to re-evaluate all the fixed assets accounting group.

So the accounting for fixed assets in JSC "Grobiņa" balance sheet at fair value would require a new evaluation of a certified valuer, that would require additional funds.

It should be noted that some real estate objects that could be evaluated in 2012 will not be used in economic activities (some animal shelters), and that most of the Company's buildings and structures are needed serious repairs specified in the LLC "Eiroeksperts" evaluation . Experts also point to the low value of land (10725 LVL) compared to balance sheet value (81 937 LVL). This means that according to expert evaluation of within the fixed assets category "Land, building and construction" the total value of fixed assets can not depart significantly from the current balance sheet value.

Given the above, the Council of JSC "Grobiņa" as of 02.03.2012. decided not to reevaluate fixed assets, as the Company's Management and Board does not have a solid justification, that the Company's fixed assets' value has changed compared to the current balance sheet value, resulting in Management's opinion that the revaluation of fixed assets will only lead to additional costs.

Loan repayment to private person

The Board explains about the loan repayment to private person that due to the lender notice as of 17.02.2011. of early termination of the loan agreement, the Board of JSC "Grobiņa" agreed with the lender that the JSC "Grobiņa" recognizes and pays the lender a 4% per annum on the loan applications for the period from 07.02.2005.to 01.03.2011. (6 years), that compose 24% of the loan principal, but the lender for the delay in repayment of the loan principal and interest, which generally amounted 10 months, does not calculate fine of 0.5% per day as defined in the Credit agreement for the delay in repayment of the loan principal and interest, that would amount for 10 month about 150% of the outstanding amount.

JSC "Grobiņa" has made a full settlement with the lender in January 2012, at the same time on 26.01.2012. entering into an agreement with the lender, in which the lender stated that the Borrower JSC "Grobiņa" has complied in full its obligations to the lender after the Credit agreement No.02/2005, as a result the Lender does not and will not have any future claims of the material nature against JSC "Grobiņa" in connection with fulfillment of loan commitments with the delay.

Legal proceedings

The Board of JSC "Grobiņa" informs that under parts 3 and 4 of the paragraphs (1) and (2) of section 59 of the Financial Instrument Market Law of the Republic of Latvia about the progress and results of legal proceedings initiated in 2011 in connection with JSC "Grobiņa":

- 1) On 03.12.2011. judgement of Kurzeme Regional Court as of 20.10.2011. entered into force, which had decided to reject JSC "Grobiņa" shareholder and council member Jānis Meijubers action brought against JSC "Grobiņa" on invalidation of JSC "Grobiņa" extraordinary general meeting decision as of 30.09.2010.
- 2) JSC "Grobiņa" shareholder's and council member's Jānis Meijubers action brought against the JSC "Grobiņa" on invalidation of JSC "Grobiņa" general meeting decision as of 23.04.2010. of the motion of censure against the JSC "Grobiņa" chairman and on action brought against the Company's Board and Council was rejected on 14 February 2012 by the Kurzeme Regional Court. This court decision to date has not yet entered into force.
- 3) Due to the application for withdrawal of action and termination of the proceedings submitted by the Board of JSC "Grobiņa" due to the information and documents got by the Board with the Liepaja Court decision as of 07 June on conclusion of the proceedings of JSC "Grobina" built in the action after the request of minority shareholder's as of 06.08.2010 Jānis Meijubers, Anatolijs Gorbunovs and Agris Nagliņš to the JSC "Grobina" Council members J.Siliņa, J.Briede, G.Jefimova, S.Neimane and O.Petrēvica for the recovery of losses of LVL 50 000;
- 4) Action brought on 19.07.2011. after the request of JSC "Grobiņa" minority shareholders Jānis Meijubers, Anatolijs Gorbunovs and Agris Nagliņš against JSC "Grobina" Board members G.Isajeva, A.Vītoļiņa and D.Kalniņa for the joint recovery of losses LVL 100 000 due to the carrying out duties of Board members in 2008 and in 2009, concluding 2009 with a loss of LVL 978 502, was amended in February 2012 based on the 01.03.2011. JSC "Grobina" Council's decision to increase the amount of losses to LVL 143 983,88, as a result the case proceedings were postponed to 29.08.2012.

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 stable 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 50% 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 2011 the Company's current assets exceeded short-term liabilities by LVL 714 006. Long-term liabilities include long-term loan from bank, the maturity is 31 March 2015. Within 12 month of 2011 the Company repaid the loan in the amount of EUR 77 700. The Company's Management believes that the Company will have sufficient cash resources and its liquidity will not be compromised. Due to the agreement as of January 2012 the loan principal and interest were repaid in full to private person.

Financial results

Total liquidity ratio = 2.78

Current liquidity ratio = 0.25

Quick liquidity ratio = 0.12

Specific weight of liabilities in the balance sheet = 0.26

Debt/Equity Ratio = 0.35

Inventory turnover ratio = 1.71

Asset turnover ratio = 1.23

Profit on sales (%) = 6.83%

Return on equity (%) = 11.56 %

Subsequent events

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.

Management's proposals on profit sharing

The Board recommends to use the profit of the year 2011 to cover the losses incurred in the year 2009.

Future perspective

So far JSC "Grobiņa" was producing basically so-called long-haired minks whose fur products every year were losing their positions relative to the short-haired mink's fur. Short-haired mink's skins are on average 30% more expensive and, due to fashion trends in China, industry experts are predicting a growing demand, as well as growing prices on short-haired mink's fur. Therefore JSC "Grobiņa" aim is starting from 2012 to abandon completely the hitherto farmed long-haired minks, changing completely animal herds to high quality Scandinavian type of short-haired minks. To achieve this aim, JSC "Grobiņa" Management had fully slaughtered all existing animals, including breeding animals. Using the opportunity for fur farms where there are no animals, there had been a complex cleaning of farm and industrial spaces, as well as disinfection of premises to prevent and limit the widespread disease that had been in the farm, which was the main reason so far to the large proportion of the fallen animals.

So in the spring of 2012 in the already cleaned and disinfected fur farm, an Aleutian disease free, high quality Scandinavian type short-haired mink breeding herd will come from the Polish fur farms. All the above mentioned measures will lead to reduced disease caused animal falling for up to 3% per year and an increase in both birth rates above the planned 4.5 kits per breeding mother and derived skin quality. At the same time JSC "Grobiņa" also plans to increase production in 2012 by growing more than 100 000 animals, that will increase the profitability of the Company and provide a better return in the future.

Chairman of the Board _____ Gundars Jaunsleinis

Member of the Board _____ Gunta Isajeva

Member of the Board _____ Andris Vītoliņš

08 March 2012

STATEMENT ON MANAGEMENT'S RESPONSIBILITY

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" confirms that the Annual Report for the financial year 2011 has been prepared in accordance with the requirements of the applicable laws and regulations and gives a true and fair view on the JSC "Grobiņa" assets, liabilities, financial position and loss. The Management Report contains true information.

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

08 March 2012

BALANCE SHEET

ASSETS	Notes	31.12.11. LVL	31.12.11. EUR	31.12.10. LVL	31.12.10. EUR
Non-current assets					
I Intangible assets					
Concessions, patents, licences, trade marks and similar rights		0	0	14	20
Total intangible assets	3	0	0	14	20
II Tangible assets					
Land, building and construction		355,914	506,420	385,683	548,777
Equipment and machinery		102,576	145,952	111,799	159,076
Other fixed assets and equipment		67,911	96,629	67,783	96,447
Construction in progress		25,100	35,714	25,100	35,714
Total tangible assets	4	551,501	784,715	590,365	840,014
IV Biological assets					
Breeding animals		0	0	601,379	855,685
Advance payments for breeding animals		312,045	444,000	0	0
Total biological assets	5	312,045	444,000	601,379	855,685
V Long-term financial investments					
Other securities and investments		0	0	352	501
Own stocks and shares		2500	3557	2,500	3,557
Total long-term financial investments	6	2,500	3,557	2,852	4,058
Total non-current assets		866,046	1,232,272	1,194,610	1,699,777
Current assets					
I Inventories					
Raw materials and consumables	7	26,925	38,311	105,488	150,096
Unfinished production	8	0	0	15,993	22,756
Finished production and goods for sale	9	983,998	1,400,103	1,154,670	1,642,947
Prepayments for goods	10	691	983	235	334
Total inventories		1,011,614	1,439,397	1,276,386	1,816,134
II Long-term investments held for sale					
		0	0	0	0
III Receivables					
Trade receivables	11	30,905	43,974	50,474	71,818
Other receivables	12	23,020	32,755	24,131	34,335
Prepaid expenses	13	2,147	3,055	7,487	10,653
Total receivables		56,072	79,783	82,092	116,806
Total short-term financial investments		0	0	0	0
V Cash (total)					
	14	47,320	67,330	102,165	145,368
Total current assets		1,115,006	1,586,511	1,460,643	2,078,308
Total assets		1,981,052	2,818,783	2,655,253	3,778,085

BALANCE SHEET (continued)

EQUITY AND LIABILITIES	Notes	31.12.11. LVL	31.12.11. EUR	31.12.10. LVL	31.12.10. 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
<i>Total reserves</i>		54,454	77,481	54,454	77,481
Retained earnings					0
a) retained earnings for the previous year		719,076	1,023,153	697,616	992,618
b) retained earnings for the reporting year		166,383	236,742	21,460	30,535
<i>Total retained earnings</i>		885,459	1,259,895	719,076	1,023,153
Total equity		1,439,913	2,048,812	1,273,530	1,812,070
II Provisions					
Other provisions	16	31,321	44,566	22,448	31,941
Total provisions		31,321	44,566	22,448	31,941
III Liabilities					
I Long-term liabilities					
Loans from credit institutions	17	108,818	154,834	163,426	232,534
Other loans	18	0	0	251,450	357,781
Total long-term liabilities		108,818	154,834	414,876	590,315
II Short-term liabilities					
Loans from credit institutions	17	54,608	77,700	54,608	77,700
Other loans	18	117,944	167,819	19,599	27,887
Prepayments received from customers	19	159,242	226,581	614,844	874,844
Trade payables	20	34,022	48,409	217,731	309,803
Taxes and state social insurance payables	21	13,982	19,895	18,081	25,727
Other payables	22	14,121	20,092	11,107	15,804
Accrued liabilities	23	7,081	10,075	8,429	11,993
Total short-term liabilities		401,000	570,572	944,399	1,343,759
Total liabilities		509,818	725,406	1,359,275	1,934,074
Total equity and liabilities		1,981,052	2,818,783	2,655,253	3,778,085

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 2011:

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

The accompanying notes from 14 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

08 March 2012

INCOME STATEMENT

	Notes	2011 LVL	2011 EUR	2010 LVL	2010 EUR
Net turnover	28	2,436,282	3,466,517	1,980,334	2,817,761
Cost of sales	29	1,960,507	2,789,550	1,673,369	2,380,990
Gross profit or loss		475,775	676,967	306,965	436,772
Sales expenses	30	103,182	146,815	108,495	154,374
Administrative expenses	31	170,507	242,610	128,255	182,490
Other operating income	32	28,352	40,341	19,627	27,927
Other operating expenses	33	6,739	9,589	22,282	31,704
Profit or loss from operations		223,699	318,295	67,560	96,129
Other interest receivable and similar income	34	2	3	267	380
Interest payable and similar expenses	35	85,584	121,775	32,956	46,892
Profit or loss before extraordinary items and taxes		138,117	196,523	34,871	49,617
Extraordinary income	36	29,506	41,983	28,177	40,092
Extraordinary expenses	37	0	0	40,412	57,501
Profit or loss before taxes		167,623	238,506	22,636	32,208
Corporate income tax	38	0	0	0	0
Deferred tax income (expenses)	39	0	0	0	0
Other taxes	40	1,240	1,764	1,176	1,673
Profit or loss of the reporting year		166,383	236,742	21,460	30,535
Earnings per share (EPS)		0.333	0.473	0.043	0.061

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The accompanying notes from 14 to 30 page form an integral part of these financial statements.

Chairman of the Board _____ Gundars Jaunsleinis

Member of the Board _____ Gunta Isajeva

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08 March 2012

CASH FLOW STATEMENT (indirect method)

	2011	2011	2010	2010
	LVL	EUR	LVL	EUR
I. Cash flow from operating activities				
1 Profit or loss before extraordinary items and taxes	138,117	196,523	34,871	49,617
<i>Adjustments:</i>				
a) depreciation costs of tangible assets;	69,940	99,516	78,321	111,441
b) write-offs of intangible assets;	14	20	105	149
c) disposals of tangible assets;	37	53	1,240	1,764
d) accruals (other than accruals for doubtful debts);	8,873	12,625	-612	-871
e) profit or loss from foreign currency exchange rate fluctuations;	-7,431	-10,573	19,064	27,126
f) subsidies, grants, endowments, donations;	-16,591	-23,607	-8,309	-11,823
g) other interest receivable and similar income;	-2	-3	-267	-380
h) interest payable and similar expenses.	85,584	121,775	32,956	46,892
2 Profit or loss before corrections of changes in the balances of current assets and short-term liabilities	278,541	396,328	157,369	223,916
<i>Adjustments:</i>				
a) (increase)/decrease in long-term financial investments;	352	501	0	0
b) (increase)/decrease in biological assets;	289,334	411,685	-358,629	-510,283
c) (increase)/decrease in receivables balances;	26,020	37,023	-60,594	-86,217
d) (increase)/decrease in inventories balances;	264,772	376,737	160,261	228,031
e) increase/(decrease) in suppliers, contractors and other creditors payables balances.	-641,744	-913,119	420,803	598,749
3 Gross cash flow from operating activities	217,275	309,154	319,210	454,195
4 Interest payable	-85,584	-121,775	-32,956	-46,892
5 Immovable property tax expenses	-1,240	-1,764	-1,176	-1,673
6 Cash flow before extraordinary items	130,451	185,615	285,078	405,629
7 Cash flow from extraordinary items	29,506	41,983	-12,235	-17,409
8 Net cash flow from operating activities	159,957	227,598	272,843	388,221
II. Cash flow from investing activities				
1 Additions in tangible and intangible assets	-31,113	-44,270	-88,586	-126,047
2 Interest receivable and similar income	2	3	267	380
6 Cash flow from investing activities	-31,111	-44,267	-88,319	-125,667
III. Cash flow from financing activities				
1 Loans received	80,615	114,705	20,402	29,029
2 Subsidies, grants, endowments and donations received	16,591	23,607	8,309	11,823
3 Loans repaid	-288,328	-410,254	-126,153	-179,500
7 Net cash flow from financing activities	-191,122	-271,942	-97,442	-138,647
IV. Result of foreign currency exchange rate fluctuation	7,431	10,573	-19,064	-27,126
V. Net cash flow in the reporting year	-54,845	-78,037	68,018	96,781
VI. Cash and its equivalents at the beginning of the reporting year	102,165	145,368	34,147	48,587
VII. Cash and its equivalents at the end of the reporting year	47,320	67,330	102,165	145,368

The accompanying notes from 14 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

08 March 2012

STATEMENT OF CHANGES IN EQUITY

	2011 LVL	2011 EUR	2010 LVL	2010 EUR
I. Share capital (equity)				
1. Amount in the balance sheet of the previous year	500000	711436	500000	711436
2. Correction of the amount in the balance sheet of the previous year	0	0	0	0
3. Increase/decrease in share capital (equity)	0	0	0	0
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
2. Correction of the amount in the balance sheet of the previous year	0	0	0	0
3. Increase/decrease in reserve balance	0	0	0	0
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	719076	1023153	697616	992618
2. Correction of the amount in the balance sheet of the previous year	0	0	0	0
3. Increase/decrease in retained earnings	166,383	236742	21460	30535
4. Amount in the balance sheet at the end of the reporting year	885459	1259895	719076	1023153
VII. Equity				
1. Amount in the balance sheet of the previous year	1273530	1812070	1252070	1781535.11
2. Correction of the amount in the balance sheet of the previous year	0	0	0	0
3. Amount in the balance sheet at the end of the reporting year	1439913	2048812	1273530	1812069.94

The accompanying notes from 14 to 30 page form an integral part of these financial statements.

Chairman of the Board _____
 Member of the Board _____
 Member of the Board _____

Gundars Jaunsleinis
 Gunta Isajeva
 Andris Vītoliņš

08 March 2012

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.

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 following 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 items.
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.

Error occurred in previous reporting periods is corrected, defining the impact on the financial statement's items of respective year and providing information in the notes to the financial statements.

II. Recognition of revenues and net turnover

Net turnover is the total value of the goods (mink, polar fox and silver fox skins and materials) 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. Revenue from dividends is recognized when legal right appears.

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.

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%
Technological 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. 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.

V. 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.

VI. 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 period.

	31.12.2011. (lats)	31/12/2010/ (lats)	
1 USA dollar	0.544	0.535	(USD)
1 euro	0.702804	0.702804	(EUR)
1 Lithuanian lit	0.204	0.203	(LTL)
1 Danish krone	0.0945	0.0943	(DKK)
1 Russian rouble	0.0170	0.0176	(RUB)

VII. 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.

VIII. 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.

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

IX. 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.

X. 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.

XI. 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 differences 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 transferred to subsequent tax periods. A deferred 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 differences.

XII. 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.

XIII. 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.

XIV. 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 measurement 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.

XV. Investment properties

The Company has no investment property.

XVI. Accrued liabilities, contingencies

Accrued liabilities are certain amounts payable to suppliers and contractors 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.

XVII. 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

	2011		2010	
1. Average number of employees in the reporting year				
Average number of employees		84		87
	LVL	EUR	LVL	EUR
2. Total personnel expenses	419,534	596,943	347,016	493,759
- salaries	338,673	481,888	280,323	398,864
- state social insurance payments	80,861	115,055	66,693	94,896
- including:				
Remuneration of employees engaged in production (core activity)				
- salaries	257,866	366,910	230,209	327,558
- state social insurance payments	63,864	90,870	54,645	77,753
- total	321,730	457,781	284,854	405,311
Remuneration of administration				
- salaries	80,807	114,978	50,114	71,306
- state social insurance payments	16,997	24,185	12,048	17,143
- total	97,804	139,163	62,162	88,449
including Reward to the Board				
- salary for the board member duties	15,722	22,370	11,748	16,716
- salary for the professional duties	17,045	24,253	14,877	21,168
- state social insurance payments	7,894	11,232	6,414	9,126
- total	40,661	57,855	33,039	47,010
including Reward to the Council				
- reward	18,005	25,619	668	950
- state social insurance payments	4,203	5,980	161	229
- total	22,208	31,599	829	1,180
Reward to the Council member according to the agreement of jurisdictional assistance	7,259	10,329	10,517	14,964

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 2011: LVL 1 = EUR 0.702804 and it is only for informative purposes.

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. computer software	Other intangible assets	Goodwill	Advance payments	Total intangible assets
	LVL	LVL	LVL	LVL	LVL	LVL
Purchase value as at 31.12.2010.			1,937			1,937
Purchase (+)						0
Disposal (-)			-300			-300
Purchase value as at 31.12.2011.	0	0	1,637	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	1,637
Net carrying amount as at 31.12.2010.		0	14	0	0	14
Net carrying amount as at 31.12.2011.		0	0	0	0	0
	Company's development expenses	Concessions, patents, licences, trade marks and similar rights, incl. computer software	Other intangible assets	Goodwill	Advance payments	Total intangible assets
	EUR	EUR	EUR	EUR	EUR	EUR
Purchase value as at 31.12.2010.			2,756			2,756
Purchase (+)						0
Disposal (-)			-427			-427
Purchase value as at 31.12.2011.	0	0	2,329	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	2,329
Net carrying amount as at 31.12.2010.		0	20	0	0	20
Net carrying amount as at 31.12.2011.		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		524,003	215,970	25,100		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		412,204	148,187			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 (+/-)				-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 (+/-)			-1,440	1,440			0
Disposed in the reporting year (-)				-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 (continued)

Property	Cadastral No.	Cadastral value LVL/EUR	Book value LVL/EUR	Market value as at 03.11.2011. LVL/EUR
<i>Land</i>	64600140090 (LVL)	34,678	81,937	
	64600140090(EUR)	49,342	116,586	
<i>Building and construction</i>	64600140091 (LVL)	57,288	273,977	
	64600140091 (EUR)	81,513	389,834	
<i>Real estate*</i>	64600140090 (LVL)			1,500,000
	64600140090 (EUR)			2,134,308
<i>Equipment and machinery</i>				480,000
				682,978

* In November 2011 the company of independent experts LLC "Eiroeksperts" defined the market value of the Company's movable and immovable property. The aim of the evaluation was defining the value for collateral of pledge for raising finance from credit institution.

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 31.12.2010.	Purchased in 2011	Residual value of disposed fixed asset	Value for depreciation calculation	Rate	Depreciation	Residual value as at 31.12.2011.
	LVL	LVL	LVL	LVL	LVL	LVL	LVL
Group I	225,983			225,983	10%	22,598	203,385
Group II							
Group III	41	1,070		1,111	70%	778	333
Group IV	68,040	30,043	37	98,046	40%	39,218	58,828
Group IV	9,488			9,488	30%	2,846	6,642
Total	303,552	31,113	37	334,628		65,440	269,188

	Residual value as at 31.12.2010.	Purchased in 2011	Residual value of disposed fixed asset	Value for depreciation calculation	Rate	Depreciation	Residual value as at 31.12.2011.
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Group I	321,545			321,545	10%	32,154	289,391
Group II							
Group III	58	1,522		1,581	70%	1,107	474
Group IV	96,812	42,747	53	139,507	40%	55,802	83,705
Group IV	13,500			13,500	30%	4,049	9,451
Total	431,916	44,270	53	476,133		93,113	383,020

5. Biological assets

	31.12.2011. LVL	31.12.2011. EUR	31.12.2010. LVL	31.12.2010. EUR
Residual value at the beginning of the year	601,379	855,685	242,750	345,402
Purchased breeding animals	0	0	724,977	1,031,549
Increase in value due to reproduction (+)	873,650	1,243,092	339,399	482,921
Decrease in value due to degeneration (-)	-35,416	-50,392	-61,974	-88,181
Decrease due to finished production (-)	-1,439,613	-2,048,385	-643,773	-916,006
Advance payments for breeding animals	312,045	444,000	0	0
Residual value at the end of the year	312,045	444,000	601,379	855,685

NOTES TO FINANCIAL STATEMENTS (continued)

NOTES TO THE BALANCE SHEET

6. Long-term financial investments

Item	31.12.2011.			31.12.2010.		
	Amount	LVL	EUR	Amount	LVL	EUR
Other securities (Latvian Fur-Breeders Association)		0	0		352	501
Own shares	2,500	2,500	3,557	2,500	2,500	3,557
Total	2,500	2,500	3,557	2,500	2,852	4,058

7. Raw materials and consumables

	31.12.2011.	31.12.2011.	31.12.2010.	31.12.2010.
	LVL	EUR	LVL	EUR
Forage	1,976	2,812	83,761	119,181
Medication	11,887	16,914	1,504	2,140
Fuel for heating	11,519	16,390	11,954	17,009
Repair materials	819	1,165	762	1,084
Fuel, gas	724	1,030	315	448
Materials for leather processing	0	0	7,192	10,233
Total	26,925	38,311	105,488	150,096

8. Unfinished production

	31.12.2011.	31.12.2011.	31.12.2010.	31.12.2010.
	LVL	EUR	LVL	EUR
Raw mink skins	0	0	15,993	22,756
Total	0	0	15,993	22,756

9. Finished production and goods for sale

	31.12.2011.	31.12.2011.	31.12.2010.	31.12.2010.
	LVL	EUR	LVL	EUR
Mink skins	978,398	1,392,135	1,145,985	1,630,590
Fox skins	99	141	3,184	4,530
Finished goods	5,501	7,827	5,501	7,827
Total	983,998	1,400,103	1,154,670	1,642,947

10. Prepayments for goods

	31.12.2011.	31.12.2011.	31.12.2010.	31.12.2010.
	LVL	EUR	LVL	EUR
Prepayment for forage, materials	691	983	235	334
Total	691	983	235	334

11. Trade receivables

	31.12.2011.	31.12.2011.	31.12.2010.	31.12.2010.
	LVL	EUR	LVL	EUR
Carrying amount of trade receivables	34,861	49,603	52,452	74,632
Allowance for doubtful receivables (-)	-3,956	-5,629	-1,978	-2,814
Net trade receivables	30,905	43,974	50,474	71,818

12. Other receivables

	31.12.2011.	31.12.2011.	31.12.2010.	31.12.2010.
	LVL	EUR	LVL	EUR
Overpaid taxes to the budget or tax advances	12,597	17,924	21,431	30,494
Advance person's debt settlement	1,597	2,272	1,622	2,308
Allowance for doubtful receivables	-1,597	-2,272	0	0
Payables for services rendered	4,644	6,608	1,031	1,467
Advance payments for services	5,779	8,223	47	67
Total	23,020	32,755	24,131	34,335

NOTES TO FINANCIAL STATEMENTS (continued)

NOTES TO THE BALANCE SHEET

13. Prepaid expenses	31.12.2011.	31.12.2011.	31.12.2010.	31.12.2010.
	LVL	EUR	LVL	EUR
Advertising in catalogs	463	659	75	107
Press subscription	107	152	75	107
Insurance	1,577	2,244	7,337	10,440
Total	2,147	3,055	7,487	10,653

14. Cash	31.12.2011.	31.12.2011.	31.12.2010.	31.12.2010.
	LVL	EUR	LVL	EUR
Cash on hand	1,386	1,972	20,211	28,758
Cash in bank	45,934	65,358	81,954	116,610
Total	47,320	67,330	102,165	145,368

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.

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. 2 500 shares owned by the Company were put into public circulation in February 2012.

Company's shareholders on 02 March 2012:

% shares	Shareholders
14.22%	Gundars Jaunsleinis
11.86%	Argita Jaunsleine
41.27%	FINSOL SIA
11.22%	Jānis Meijubers
3.68%	Agris Nagliņš
2.04%	Astrīda Ukstiņa
4.81%	SCI AG
10.90%	Other private persons and companies
100.00%	

16. Provisions	31.12.2011.	31.12.2011.	31.12.2010.	31.12.2010.
	LVL	EUR	LVL	EUR
Provisions for leaves	22,448	31,941	23,060	32,811
Increase / (decrease)	8,873	12,625	-612	-871
Total	31,321	44,566	22,448	31,941

17. Loans from credit institutions (total)

Name of credit institution, loan terms	Maturity	Rate	31.12.2011.	31.12.2011.	31.12.2010.	31.12.2010.
			LVL	EUR	LVL	EUR
Ge Money Bank	March 2015	4.62%	163,426	232,534	218,034	310,234
Total		0	163,426	232,534	218,034	310,234

NOTES TO FINANCIAL STATEMENTS (continued)

NOTES TO THE BALANCE SHEET

Long-term and short-term parts of loans from credit institutions

	31.12.2011. LVL	31.12.2011. EUR	31.12.2010. LVL	31.12.2010. EUR
Long-term:				
from 2 to 5 years	108,818	154,834	163,426	232,534
Total long-term:	108,818	154,834	163,426	232,534
Short-term:	54,608	77,700	54,608	77,700
Total	163,426	232,534	218,034	310,234

18. Other loans (total)

	31.12.2011 1 EUR	31.12.2011 LVL	31.12.2010 EUR	31.12.2010 USD	31.12.2010 LVL
Loan from non-resident private person in USA dollars	77,404	54,400	357,781	470,000	251,450
Accrued interest under the loan agreement 2%. Interest rate 4% under the agreement in 2011	90,415	63,544	27,887	36,634	19,599
Total	167,819	117,944	385,668	506,634	271,049

Long-term and short-term parts of other loans

	31.12.2011. LVL	31.12.2011. EUR	31.12.2010. LVL	31.12.2010. EUR
Long-term:				
more than 5 years	0	0	251,450	357,781
Total long-term:	0	0	251,450	357,781
Short-term:	117,944	167,819	19,599	27,887
Total short-term:	117,944	167,819	19,599	27,887
Total	117,944	167,819	271,049	385,668

19. Prepayments received from customers

	31.12.2011. LVL	31.12.2011. EUR	31.12.2010. LVL	31.12.2010. EUR
Prepayments received from customers (auction houses)	159,242	226,581	614,844	874,844
Total	159,242	226,581	614,844	874,844

20. Trade payables

	31.12.2011. LVL	31.12.2011. EUR	31.12.2010. LVL	31.12.2010. EUR
Trade payables	34,022	48,409	217,731	309,803
Total	34,022	48,409	217,731	309,803

21. Taxes and state social insurance payables

	31.12.2011. LVL	31.12.2011. EUR	31.12.2010. LVL	31.12.2010. EUR
State social insurance payments	9,252	13,164	7,557	10,753
Personal income tax	4,708	6,699	10,482	14,915
Unemployment risk duty	22	31	0	0
Natural resources tax	0	0	42	60
Total	13,982	19,895	18,081	25,727

NOTES TO FINANCIAL STATEMENTS (continued)

NOTES TO THE BALANCE SHEET

Tax and duty obligations flow in 2011

	Balance as at 31.12.2010.	Calculated in 2011	Penalty in 2011	Paid in 2011	Repaid in 2011	Deflection to other taxes	Balance as at 31.12.2011.
	LVL	LVL	LVL	LVL	LVL	LVL	LVL
State social insurance payments	7,557	117,784	92	38,514		-77,667	9,252
Personal income tax	10,482	57,751	662	39,630		-24,557	4,708
Value added tax	-21,431	-106,212			14,014	102,226	-11,403
Immovable property tax	0	1,240		1,240		0	0
Natural resources tax	42	872		2,108		0	-1,194
Unemployment risk duty	0	248		224		-2	22
Total	-3,350	71,683	754	81,716	14,014	0	1,385

including:

Taxes receivable (-)	-21,431	-12,597
Taxes payable (+)	18,081	13,982

Taxes receivable as at 31.12.2011. in the amount of LVL 12597 are shown in the item "Other receivables"

	Balance as at 31.12.2010.	Calculated in 2011	Penalty in 2011	Paid in 2011	Repaid in 2011	Deflection to other taxes	Balance as at 31.12.2011.
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
State social insurance payments	10,753	167,592	131	54,800		-110,510	13,164
Personal income tax	14,915	82,172	942	56,388		-34,941	6,699
Value added tax	-30,494	-151,126	0	0	19,940	145,454	-16,225
Immovable property tax	0	1,764	0	1,764		0	0
Corporate income tax	0	0	0	0		0	0
Natural resources tax	60	1,241	0	2,999		0	-1,699
Import duty			0				0
Unemployment risk duty	0	353	0	319		-3	31
Total	-4,767	101,996	1,073	116,271	19,940	0	1,971

including:

Taxes receivable (-)	-30,494	-17,924
Taxes payable (+)	25,727	19,895

Taxes receivable as at 31.12.2011. in the amount of EUR 17924 are shown in the item "Other receivables"

22. Other payables

	31.12.2011. LVL	31.12.2011. EUR	31.12.2010. LVL	31.12.2010. EUR
Wages and salaries	13,270	18,882	10,260	14,599
Deductions from wages and salaries	192	273	174	248
Deposited salary, compensation for damages	621	884	673	958
Advance person's debt settlement	38	54	0	0
Total	14,121	20,092	11,107	15,804

23. Accrued liabilities	31.12.2011.	31.12.2011.	31.12.2010.	31.12.2010.
	LVL	EUR	LVL	EUR
Communication expenses in December	114	162	431	613
Fees for sworn auditors company for audit of annual report	1,650	2,348	1,000	1,423
Electricity in December	5,186	7,379	6,994	9,952
Transport expenses	0	0	4	6
Services in December	131	186	0	0
	7,081	10,075	8,429	11,993

Other Explanations

24. Council and Board members reward in the reporting year

	Council members		Board members	
	LVL	EUR	LVL	EUR
Calculated salaries LVL	18,005	25,619	32,767	46,623
Calculated state social insurance payments in the reporting year	4,203	5,980	7,894	11,232
	22,208	31,599	40,661	57,855

25. Fees for sworn auditors company

	31.12.2011.	31.12.2011.	31.12.2010.	31.12.2010.
	LVL	EUR	LVL	EUR
Audit of annual report	3,300	4,695	2,000	2,846
	3,300	4,695	2,000	2,846

26. Encumbrance of assets

On 3 February 2010 JSC "Grobiņa" and JSC "Ge Money Bank" concluded the agreement, amended on 9 July 2010, on restructuring of the loan line into a credit with a maturity of March 2015. The Company's obligations to JSC Ge Money Bank are secured and re-inforced with all Company owned real estate mortgage and pledge of the Company's property as an aggregation at the time of the mortgage.

Contingent assets

JSC Grobiņa at the request of minority shareholders maintains a legal action against former board member for the losses caused in previous reporting periods for the amount of LVL 143983,88. Difficult to anticipate the possibility of future income arising.

27. Information according to the Section 56 and 56.1 of the Financial Instrument Market Law

Capital structure

The issued and fully paid Company's equity consists of 500 000 shares with the par 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. 2 500 shares owned by the Company were put into public circulation in February 2012.

Class of shares	Number of shares		% of equity
	LVL	EUR	
Ordinary name shares with voting rights - publicly traded	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 THE INCOME STATEMENT

List of shareholders having direct or indirect material interest in the Company and having special control rights

Shareholder's name, surname	Position held in the Company as at 8 March 2012	Number of shares as at 2		% of equity
		March 2011		
Argita Jaunsleina	Member of the Council	59,300		11.86%
Jānis Meijubers	Member of the Council	56,099		11.22%
Gundars Jaunsleinis	Chairman of the Board	71,104		14.22%

Powers of the Board Members

According to the Statutes of the JSC "Grobiņa" each Board member has the right to represent the Company alone.

Shareholders' Rights

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 voting right.

There is no agreement between the Company and the Board members concerning the compensation of resignation.

28. Net turnover	31.12.2011	31.12.2011	31.12.2010	31.12.2010.
	LVL	EUR	LVL	EUR
Revenue from mink skins sales	2,373,446	3,377,109	1,944,091	2,766,192
Revenue from silver fox skins	12,732	18,116	27,358	38,927
Revenue from polar fox skins	612	871	21	30
Revenue from services provided and work performed	49,492	70,421	8,864	12,612
Total	2,436,282	3,466,517	1,980,334	2,817,761

28a. Net turnover by business segments and geographical segments

Furriery				
Latvia	7,190	10,230	1,776	2,527
Russia	0	0	1,223	1,740
Finland	2,332,478	3,318,817	822,662	1,170,543
Denmark	3,087	4,392	1,090,312	1,551,374
Lithuania	10,168	14,468	17,471	24,859
Ukraine	33,241	47,298	3,023	4,301
Bulgaria	0	0	16,952	24,121
Dagestan	0	0	4,066	5,785
Estonia	0	0	3,450	4,909
Morocco	626	891	0	0
Cyprus	0	0	10,535	14,990
Lithuania (forage)	13,300	18,924	0	0
Latvia (services, forage, materials)	36,192	51,497	8,864	12,612
Total	2,436,282	3,466,517	1,980,334	2,817,761

NOTES TO THE INCOME STATEMENT

29. Cost of sales

	31.12.2011	31.12.2011	31.12.2010	31.12.2010.
	LVL	EUR	LVL	EUR
Forage	408,731	581,572	405,324	576,724
Medication	65,085	92,608	59,868	85,184
Wages and salaries	257,866	366,910	230,209	327,558
State social insurance payments, unemployment risk duty	64,092	91,195	54,875	78,080
Depreciation	66,677	94,873	76,897	109,415
Electricity costs	81,013	115,271	75,619	107,596
Security costs	1,391	1,979	455	647
Equipment maintenance	16,231	23,095	13,399	19,065
Insurance costs	13,284	18,901	8,386	11,932
Chips for treatment	22,901	32,585	43,797	62,318
Utilization and other expenses	16,898	24,044	3,296	4,690
Dry waste	2,354	3,349	1,392	1,981
Natural resources tax	872	1,241	135	192
Staff training, business trip expenses	756	1,076	264	376
Fuel, gas	19,644	27,951	14,374	20,452
Fuel for heating, chips	24,495	34,853	29,089	41,390
Repair materials	33,707	47,961	26,879	38,245
Current repairs services	16,307	23,203	13,475	19,173
Various services (transport expenses etc.)	3,756	5,344	28,085	39,961
Provisions for leaves and state social insurance payments	7,680	10,928	-1,952	-2,777
Cost of the fallen animals (prime cost)	35,548	50,580	61,974	88,181
<i>Total prime cost of animals and skins</i>				
Prime cost of the sold skins in the reporting year	1,892,981	2,693,469	1,413,648	2,011,440
Prime cost turnover of grown fur animals and processed skins	-1,091,762	-1,553,437	-886,119	-1,260,834
Total	1,960,507	2,789,550	1,673,369	2,380,990

30. Sales expenses

	31.12.2011	31.12.2011	31.12.2010	31.12.2010
	LVL	EUR	LVL	EUR
Commission to auction houses (Finland)	102,720	146,157	54,179	77,090
Commission to auction houses (Denmark)	163	232	48,155	68,518
Business trip expenses	0	0	6,071	8,638
Advertising expenses	299	425	75	107
Other expenses	0	0	15	21
Total	103,182	146,815	108,495	154,374

NOTES TO FINANCIAL STATEMENTS (continued)

NOTES TO THE INCOME STATEMENT

31. Administrative expenses

	31.12.2011 LVL	31.12.2011 EUR	31.12.2010 LVL	31.12.2010 EUR
Communication expenses	3,168	4,508	4,770	6,787
Office maintenance expenses	866	1,232	317	451
Annual report expenses	3,300	4,695	2,000	2,846
Bank services	2,182	3,105	1,194	1,699
Administration salaries	80,807	114,978	50,114	71,306
Provisions for leaves and state social insurance payments	1,193	1,697	1,340	1,907
State social insurance payments	17,016	24,212	12,068	17,171
Depreciation	3,277	4,663	1,529	2,176
Transport, business trip expenses	6,890	9,804	6,941	9,876
Various services	9,108	12,960	10,225	14,549
Legal services	8,990	12,792	10,599	15,081
Membership dues, payments to the Riga Stock Exchange	13,210	18,796	9,041	12,864
Accounting and other financial services	20,500	29,169	18,117	25,778
Total	170,507	242,610	128,255	182,490

32. Other operating income

	31.12.2011 LVL	31.12.2011 EUR	31.12.2010 LVL	31.12.2010 EUR
Subsidies for purchase of breeding animals	16,591	23,607	8,310	11,824
Income from foreign currency exchange rate fluctuations	7,431	10,573	0	0
Income from sale of tangible assets	1,152	1,639	0	0
Bonuses of skin quality	0	0	11,317	16,103
Other income	3,178	4,522	0	0
Total	28,352	40,341	19,627	27,927

33. Other operating expenses

	31.12.2011 LVL	31.12.2011 EUR	31.12.2010 LVL	31.12.2010 EUR
Losses from foreign currency exchange rate fluctuations	0	0	19,064	27,126
Allowance for doubtful debts	3,575	5,087	1,978	2,814
Construction in progress impairment	0	0	1,240	1,764
Losses on disposal of tangible assets	37	53	0	0
Various expenses	547	778	0	0
Commission	89	127	0	0
Expenses for fur auctions in the previous tax periods	2,491	3,544	0	0
Total	6,739	9,589	22,282	31,704

34. Other interest receivable and similar income

	31.12.2011 LVL	31.12.2011 EUR	31.12.2010 LVL	31.12.2010 EUR
Bank interest	2	3	48	68
Other income	0	0	219	312
Total	2	3	267	380

NOTES TO FINANCIAL STATEMENTS (continued)**NOTES TO THE INCOME STATEMENT****35. Interest payable and similar expenses**

	31.12.2011 LVL	31.12.2011 EUR	31.12.2010 LVL	31.12.2010 EUR
Interest on advances	30,788	43,807	7,932	11,286
Interest on short-term loans	185	263	12,092	17,205
Interest on long-term loans	53,057	75,493	5,029	7,156
Fines and penalties paid	1,554	2,211	7,903	11,245
Total	85,584	121,775	32,956	46,892

36. Extraordinary income

	31.12.2011 LVL	31.12.2011 EUR	31.12.2010 LVL	31.12.2010 EUR
Surplus identified at the inventory	29,506	41,983	28,177	40,092
Total	29,506	41,983	28,177	40,092

37. Extraordinary expenses

	31.12.2011 LVL	31.12.2011 EUR	31.12.2010 LVL	31.12.2010 EUR
Shortage of fur identified at the inventory	0	0	40,412	57,501
Total	0	0	40,412	57,501

38. Corporate income tax in the reporting year

	31.12.2011 LVL	31.12.2011 EUR	31.12.2010 LVL	31.12.2010 EUR
Corporate income tax in the reporting year according to Corporate income tax declaration	0	0	0	0
	0	0	0	0

Corporate income tax differs from the theoretical amount that would be payable if the Company's profit before tax would be applied the statutory rate of 15%.

39. Deferred tax income or expenses

	31.12.2011 LVL	31.12.2011 EUR	31.12.2010 LVL	31.12.2010 EUR
Temporary difference in provisions for annual leave	4,698	6,685	3,367	4,791
Temporary difference in tangible assets depreciation	26,292	37,410	26,966	38,369
Temporary differences of the loss amounts, that reduce the taxable income	-102,195	-145,410	-133,186	-189,507
Deferred tax liabilities (+), assets (-)	-71,205	-101,316	-102,853	-146,347

Deferred tax calculated for the year 2010 and 2011 is tax asset that in accordance with the precautionary principle is not recognized.

40. Other taxes

	31.12.2011 LVL	31.12.2011 EUR	31.12.2010 LVL	31.12.2010 EUR
Immovable property tax in the reporting year	1,240	1,764	1,176	1,673
	1,240	1,764	1,176	1,673

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

08 March 2012