

Joint Stock Company "GROBIŅA"

(Registration number 40003017297)

NON -AUDITED

FINANCIAL STATEMENTS FOR THE 9 MONTHS PERIOD ENDED 30 SEPTEMBER, 2012

The items of the Financial Statement were converted to EUR according to the exchange rate fixed by the Bank of Latvia as at 30 September 2012: LVL 1 = EUR 0.702804 and it is only for informative purposes.

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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
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
Chairman of the Council	Argita Jaunsleine
Member of the Council	Gunārs Laugalis
Member of the Council	Jānis Meijubers (from 22 March, 2010 until 2 October, 2012)
Member of the Council	Linda Elsberģe
Member of the Council	Silvija Neimane (from 2 October,2012)
Reporting period	1 January, 2012 – 30 September, 2012

Management Report

Core Business Activity

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

Operations during the reporting year

The amount of the net turnover of the first 9 months of 2012 is LVL 1 269 968, it has decreased by 19%, if compared to the first 9 months of 2011. This year the exercise prices at the auction houses have increased by 20%, however, the amount of the skins sold has decreased. In the first 9 months of 2012 we have sold 48 796 pieces of mink skins for an average exercise price LVL 24,85 per piece and 4 pieces of fox skins for an average exercise price LVL 13,12 per piece. In the first 9 months of 2011 there were 73847 pieces of mink skins sold for an average price LVL 20,76 per piece and 479 pieces of fox skins sold for an average price LVL 27,36 per piece.

In the first 9 months of 2012 the average number of employees in JSC "Grobiņa" was 83, where in the first 9 months of 2011 it was 84.

The profit of the first 9 months of 2012 is LVL 58 812. Net earnings per share are LVL 0.118 or EUR 0.167, where in the same period of 2011 the net earnings per share were LVL 0.232 or EUR 0.330.

Financial results

Total liquidity ratio = 1.25

Current liquidity ratio = 0.10

Quick liquidity ratio = 0.01

Specific weight of liabilities in the balance sheet = 0.57

Debt/Equity Ratio = 1.35

Inventory turnover ratio = 0.7

Asset turnover ratio = 0.36

Profitability on sales (%) = 4.63%

Return on equity (%) = 3.92 %

The company follows the precautionary liquidity risk management, ensuring that the relevant credit resources are available to commit to liabilities within the agreed deadlines. On 30th September 2012 the value of current assets exceeded the short-term liabilities for 288 250 LVL. The long-term liabilities include bank loan with a repayment deadline - 10th October 2014. The management of the company considers the company to have sufficient financial resources for its liquidity not to be endangered.

Future perspective

In the 1st quarter of 2012 all the necessary disinfection measures were carried out in the farm and producing facilities, in order to import in April 2012 22 000 high quality Scandinavian type short haired pregnant female minks from Poland, in already disinfected and clean farm. The project has been carried out completely, due to support received from AS "ABLV bank", which granted a loan in April 2012 for amount of EUR 1 278 500.

Thanks to this project and to the worldwide acknowledged and examined method of three-time mink feeding, that has been established and adapted in the company, the mink skins obtained in season 2012./2013. meet the highest standards of the skin size and quality, therefore the company is planning to significantly increase the sales price of the skins, in comparison to the previous seasons.

In addition to this, in May 2012 JSC "GROBIŅA" began working on another Project "Construction of a new fur animal farm". Due to this of this Project, a long term lease agreement was concluded with the Council of Pāvilosta in May 2012 for lease of a relevant land with building rights (24,7 ha), which is situated at Pāvilosta district, Vērgale municipality, "Ceļmalnieki", where the new farm is planned to be build.

The objective of the above project is to modernize the company, by constructing a modern and a disease-free, fully automatic (approximately 24 employees will be required to ensure a full operation of the farm) fur animal (mink) farm for a herd of 16 500 breeding minks, situated at a distance of 20 km from the present mink farm. The total cost of new farm project is planned to be **LVL 4 160 000**, where construction costs and costs of fixed installations - approxiametely **LVL 2 800 000**, costs of equipment and facilities - **LVL 200 000**, but costs of purchase of a new breeding animal herd - **LVL 1 160 000**.

Due to the large costs of this Project, the Board of JSC "GROBIŅA" submitted the application to the Rural Support Service (hereinafter RSS) to request a co-funding from The European Agricultural Fund for Rural Development within Rural Development programme's Measure "Modernisation of Agricultural Holdings".

As the result of this application, the Resolutions from RSS No. 04.3/2-11/1971, dated 28.08.2012, and No. 04.1/2-11/2888, dated 14.11.2012., have been received, which confirm that for the project "Construction of a new fur animal farm" JSC "Grobiņa" has been granted for the public co-funding for the total amount of **LVL 1 680 000**. Therefore the rest of the project costs – **LVL 1 120 000** – JSC "Grobiņa" is planning to cover by financing loan provided from a credit institution.

The implementation of this project is planned to begin in December 2012 and finish in January 2014.

As the result of implementing this project, JSC "Grobina" will increase the production, by growing more than 200 000 animals, which will result in turnover increase from the current LVL 2,43 million (in year 2011) to LVL 6,25 million in four years' time (in year 2015).

The Board of the JSC "Grobina" considers that this project will result in a profitability increase by 2 times, which will lead to higher profit in the future.

Chairman of the Board _____ Gundars Jaunsleinis

Member of the Board _____ Andris Vītoliņš

Member of the Board _____ Gunta Isajeva

15th November 2012

STATEMENT ON MANAGEMENT'S RESPONSIBILITY

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

The Management of Joint Stock Company "Grobiņa" confirms that the Financial Report for the first nine months of 2012 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

15 November, 2012

BALANCE SHEET

ASSETS	30.09.12. LVL	30.09.12. EUR	30.09.11. LVL	30.09.11. EUR
Non-current assets				
II Tangible assets				
Land, building and construction	333 664	474 761	363 356	517 009
Equipment and machinery	90 463	128 717	86 060	122 452
Other fixed assets and equipment	74 508	106 015	68 865	97 986
Construction in progress	33 158	47 180	25 100	35 714
Total tangible assets	531 793	756 673	543 381	773 162
IV Biological assets				
Breeding animals	1 605 725	2 284 741	10 206	14 522
Advance payments for breeding animals	2 811	4 000	312 045	444 000
Total biological assets	1 608 536	2 288 741	322 251	458 522
V Long-term financial investments				
Other securities and investments	0	0	352	501
Own stocks and shares	0	0	2 500	3 557
Total long-term financial investments	0	0	2 852	4 058
Total non-current assets	2 140 329	3 045 414	868 484	1 235 741
Current assets				
I Inventories				
Raw materials and consumables	125 634	178 761	81 894	116 525
Unfinished production	0	0	185 115	263 395
Finished production and goods for sale	210 729	299 840	335 182	476 921
Prepayments for goods	1 038	1 477	18 347	26 105
Food-producing animals	968 944	1 378 683	844 486	1 201 595
Total inventories	1 306 345	1 858 761	1 465 024	2 084 541
III Receivables				
Trade receivables	14 814	21 078	27 326	38 881
Other receivables	84 012	119 538	20 448	29 095
Prepaid expenses	1 866	2 655	6 475	9 213
Total receivables	100 692	143 272	54 249	77 189
V Cash (total)				
Total current assets	1 419 586	2 019 889	1 638 709	2 331 673
Total assets	3 559 915	5 065 303	2 507 193	3 567 414

BALANCE SHEET (continued)

EQUITY AND LIABILITIES	30.09.12. LVL	30.09.12. EUR	30.09.11. LVL	30.09.11. EUR
I Equity				
Share capital (equity)	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	885 459	1 259 895	719 076	1 023 153
b) retained earnings for the reporting year	58 812	83 682	115 825	164 804
<i>Total retained earnings</i>	944 271	1 343 577	834 901	1 187 957
<i>Total equity</i>	1 498 725	2 132 494	1 389 355	1 976 874
II Provisions				
Other provisions	31 321	44 566	22 448	31 941
<i>Total provisions</i>	31 321	44 566	22 448	31 941
III Liabilities				
I Long-term liabilities				
Loans from credit institutions	898 535	1 278 500	163 426	232 534
Other loans	0	0	42 799	60 897
<i>Total long-term liabilities</i>	898 535	1 278 500	206 225	293 432
II Short-term liabilities				
Other loans	0	0	18 903	26 897
Prepayments received from customers	823 007	1 171 033	722 467	1 027 978
Trade payables	271 334	386 073	110 132	156 704
Taxes and state social insurance payables	20 989	29 865	20 817	29 620
Other payables	16 004	22 772	16 846	23 970
<i>Total short-term liabilities</i>	1 131 334	1 609 743	889 165	1 265 168
<i>Total liabilities</i>	2 029 869	2 888 243	1 095 390	1 558 600
<i>Total equity and liabilities</i>	3 559 915	5 065 303	2 507 193	3 567 414

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Member of the Board _____ Andris Vītolņš

15 November, 2012

INCOME STATEMENT

	2012	2012	2011	2011
	LVL	EUR	LVL	EUR
Net turnover	1 269 968	1 807 002	1 574 970	2 240 980
Cost of sales	971 166	1 381 845	1 299 575	1 849 129
Gross profit or loss	298 802	425 157	275 395	391 852
Sales expenses	54 156	77 057	75 485	107 405
Administrative expenses	154 524	219 868	125 700	178 855
Other operating income	22 675	32 264	39 984	56 892
Other operating expenses	16 916	24 069	1 204	1 713
Profit or loss from operations	95 881	136 426	112 990	160 770
Other interest receivable and similar income	0	0	2	3
Interest payable and similar expenses	35 644	50 717	25 433	36 188
Profit or loss before extraordinary items and taxes	60 237	85 710	87 559	124 585
Extraordinary income		0	29 506	41 983
Profit or loss before taxes	60 237	85 710	117 065	166 568
Other taxes	1 425	2 028	1 240	1 764
Profit or loss of the reporting year	58 812	83 682	115 825	164 804
Earnings per share (EPS)	0,118	0,167	0,232	0,330

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15 November 2012

CASH FLOW STATEMENT (indirect method)

	2012	2012	2011	2011
	LVL	EUR	LVL	EUR
I. Cash flow from operating activities				
1 Profit or loss before extraordinary items and taxes	60 237	85 710	87 559	124 585
<i>Adjustments:</i>				
a) depreciation costs of tangible assets;	49 370	70 247	53 050	75 483
b) write-offs of intangible assets;	0	0	14	20
c) fixed assets disposal	9 036	12 857	0	
d) profit or loss from foreign currency exchange rate fluctuations;	11 796	16 784	-2 330	-3 315
e) grants received	-19 800	-28 173	-16 591	-23 607
f) other interest receivable and similar income;	0	0	-2	-3
g) interest payable and similar expenses.	35 644	50 717	25 433	36 188
2 Profit or loss before corrections of changes in the balances of current assets and short-term liabilities	146 283	208 142	147 133	209 351
<i>Adjustments:</i>				
a) (increase)/decrease in long-term financial investments;	2 500	3 557	0	0
b) (increase)/decrease in biological assets;	-1 296 491	-1 844 740	279 128	397 163
c) (increase)/decrease in receivables balances;	-44 620	-63 489	27 843	39 617
d) (increase)/decrease in inventories balances;	-294 731	-419 364	-188 638	-268 408
e) increase/(decrease) in suppliers, contractors and other creditors payables balances.	902 886	1 284 691	70	100
3 Gross cash flow from operating activities	-584 173	-831 203	265 536	377 824
4 Interest payable	-35 644	-50 717	-25 433	-36 188
5 Immovable property tax expenses	-1 425	-2 028	-1 240	-1 764
6 Cash flow before extraordinary items	-621 242	-883 948	238 863	339 871
7 Cash flow from extraordinary items	0	0	29 506	41 983
8 Net cash flow from operating activities	-621 242	-883 948	268 369	381 855
II. Cash flow from investing activities				
1 Additions in tangible and intangible assets	-38 698	-55 062	-6 066	-8 631
2 Interest receivable and similar income	0	0	2	3
6 Cash flow from investing activities	-38 698	-55 062	-6 064	-8 628
III. Cash flow from financing activities				
1 Loans received	1 018 889	1 449 748	40 958	58 278
2 Subsidies, grants, endowments and donations received	19 800	28 173	16 591	23 607
3 Loans repaid	-401 724	-571 602	-304 913	-433 852
7 Net cash flow from financing activities	636 965	906 320	-247 364	-351 967
IV. Result of foreign currency exchange rate fluctuation	-11 796	-16 784	2 330	3 315
V. Net cash flow in the reporting year	-34 771	-49 475	17 271	24 574
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	12 549	17 856	119 436	169 942

Chairman of the Board _____ Gundars Jaunsleinis
 Member of the Board _____ Gunta Isajeva
 Member of the Board _____ Andris Vitoliņš

15 November, 2012

STATEMENT OF CHANGES IN EQUITY

	2012	2012	2011	2011
	LVL	EUR	LVL	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	885459	1259895	719076	1023153
2. Correction of the amount in the balance sheet of the previous year	0	0	0	0
3. Increase/decrease in retained earnings	58 812	83682	115 825	164804
4. Amount in the balance sheet at the end of the reporting year	944271	1343577	834901	1187957
VII. Equity				
1. Amount in the balance sheet of the previous year	1439913	2048812	1273530	1812069,9
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	1498725	2132494	1389355	1976874,1

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

Gundars Jaunsleinis
 Gunta Isajeva
 Andris Vītoliņš

15 November, 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 period is 9 month .

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.

	30.09.2012.	30.09.2011.	
	(lats)	(lats)	
1 USA dollar	0,546	0,516	(USD)
1 euro	0,702804	0,702804	(EUR)
1 Lithuanian lit	0,204	0,204	(LTL)
1 Danish krone	0,0943	0,0944	(DKK)
1 Russian rouble	0,0175	0,0163	(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.

Liquidity risk

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. Advanced payments for breeding animals are recognized as the composition of biological assets.

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.