Joint Stock Company "GROBIŅA"

(Unified registration number 40003017297)

NON-AUDITED

FINANCIAL STATEMENTS
FOR THE 9 MONTHS PERIOD ENDED
30 SEPTEMBER, 2015

Dubeņi, Grobiņa district

Contents

General Information

Name of the Company	Joint stock company "Grobiņa"
Legal status of the Company	Public joint stock company
Registration number, place, date	40003017297 Riga, 12 July 2004
Address	Lapsu Street 3, Dubeņi, Grobiņa district Latvia, LV-3438
Names and legal addresses of related and associated companies (indicating the Company's percentual share in the equity of these companies)	Not applicable
Core Business Activities of the Company	Raising of other animals, NACE 01.49 Farm animal food production, NACE 10.91 Owned or rented property rent or administration, NACE 68.20
Names and positions of the Board members:	
Chairman of the Board	Gundars Jaunsleinis
Member of the Board	Gunta Isajeva
Member of the Board	Ireneusz Sajewicz
Names and positions of the Council members:	duration in accordance with data from the Register of Enterprises
Chairman of the Council	Ojārs Osis
Member of the Council	Argita Jaunsleine
Member of the Council	Gunārs Laugalis (until 18 August 2015)
Member of the Council	Linda Elsberģe (until 18 August 2015)
Member of the Council	Silvija Neimane
Member of the Council	Ģirts Mīlgrāvis (from 18 August 2015)
Member of the Council	Jānis Liepiņš (from 18 August 2015)
Reporting year	01 January 2015 – 30 September 2015

Management Report

Core Business Activity

Core business activity of JSC "Grobiņa" is fur-farming of minks and animal feed producing.

Operations during the reporting period

Joint-stock company "Grobiņa" in 9 months of 2015 year the average number of employees was 96 employees, just like in 2014 during this period.

JSC "Grobiņa" in nine month of 2015 net turnover is 4 401 017 euro, it has increased by 74% compared to the nine month period of 2014. During nine months of 2015 were sold 110 572 mink skins at an average sales price of 39, 41 EUR / pcs. During nine months of 2014 were realized 88 125 mink skins at an average price of 28.00 EUR / pcs. During nine month of 2015 profit is 155 645 euro. Net earnings per share is 0.311 euro. In nine months of 2014 net loss per share was 1.923 euro. Fur market in 2015 as a whole, shows a positive trend, as evidenced by the rise in prices by 40% compared to the previous years' crisis in this industry . Also JSC "Grobiņa" in 2015 has increased product sales amounts by 25% and, thanks to investments made in previous years, this year and in the coming years the production volume will be increased.Although the JSC "Grobina" for 9 months of 2015 has worked with a profit, it can be concluded that the prices of products this year did not reached the expected level, short of with 28% from the average prices, which were in the industry in pre-crisis years (2012, 2013 average sales price of JSC "Grobiņa" product was 54.70 EUR per mink skin). Also, in 2015 Saga Furs fur auctions (March, June, September) it was able to observe the sharp fur price fluctuations, suggesting that fur prices this year have not been acquired stability yet .

In spite of the 2015 seasons' still unstable fur market situation and the relatively low sales prices, the JSC "Grobiņa" as far as possible deleted part of the lieabilities acumullated in crisis year , and also collaboration with the largest company's creditors have been realized the JSC "Grobiņa" liabilities restructuring plan , under which part of short-term liabilities are restructured in the long term. Thanks to fulfilling of the obligations of the restructuring plan and the total price increase of fur, JSC "Grobiņa" in 9 months of 2015 has improved overall liquidity coefficient from 0.7 (on 31.12.2014) to 1,159 (on 30.09.2015) and other financial indicators.

Financial results

Total liquidity ratio = 1.159

Current liquidity ratio = 0.055

Quick liquidity ratio = 0.001

Specific weight of liabilities in the balance sheet =0.913

Debt/Equity Ratio = 10.854

Inventory turnover ratio = 0.831

Asset turnover ratio = 0.237

Profit on sales (%) = 3.54%

Return on equity (%) = 9.95%

Events after the reporting period.

Taking into account this years' September auction results and sharp price fluctuations in auctions during 2015, the framework of the JSC "Grobiņa" management is now forced to reconsider existing contracts and future payment arrangements with their suppliers and service providers to delay payments to March 2016, when will be the closest fur auction, in which will already be realized output of 2015.

Future perspective

JSC "Grobiņa" in 2015/2016 growing season will produce ~ 130,000 mink skins, thereby increasing production by 18% ,compared to the previous year. As the JSC "Grobiņa" take all necessary measures in order to obtain high-quality leather, as confirmed by the fact that the JSC "Grobiņa" skin selling price of all auctions is up to 20% higher than the auction house average skin selling price - JSC "Grobiņa" management believes that the skin's revenues in the coming auctions will cover the accumulated liabilities to suppliers and service providers. In addition to the core business, the company plans to develop the finished feed realization for other fur farms inboth the domestic market and also for export.

Chairman of the Board___________________________Gundars Jaunsleinis

Member of the Board_______________________________Gunta Isajeva

Member of the Board_______________________________Ireneusz Sajewicz

27th November ,2015

Statement of Management's resposibility

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 nine months of 2015 has been prepared in accordance with the requirements of the applicable laws and regulatons and gives a true and fair view on the JSC "Grobiņa" assets, liabilities, financial position and loss. The Management Report 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_______________________________ Ireneusz Sajewicz

27th November ,2015

BALANCE SHEET

	ASSETS	30.09.2015. EUR	30.09.2014. EUR
II	***Tangible assets***		
	Land, building and construction	6.573.649	6.092.298
	Equipment and machinery	586.092	92.800
	Other fixed assets and equipment	735.103	788.195
	Construction in progress	309.287	1.281.972
	Advance payments for tangible assets	390.522	273.543
	Total tangible assets	**8.594.653**	**8.528.808**
III	***Biological assets***		
	Breeding animals	4.910.004	6.303.282
	Advance payments for breeding animals	4.000	4.000
	Total biological assets	**4.914.004**	**6.307.282**
	Total non-current assets	**13.508.657**	**14.836.090**
Current assets			
I	***Inventories***		
	Raw materials and consumables	196.746	229.268
	Unfinished production	1.970	0
	Finished production and goods for sale	832.488	749.493
	Prepayments for goods	41.722	0
	Food-producing animals	3.788.427	2.209.719
	Total inventories	**4.861.353**	**3.188.480**
III	***Receivables***		
	Trade receivables	148.382	118.014
	Other receivables	81.321	63.838
	Prepaid expenses	10.005	17.823
	Total receivables	**239.708**	**199.675**
III	***Cash (total)***	**1.479**	**40.440**
	Total current assets	**5.102.540**	**3.428.595**
	Total assets	**18.611.197**	**18.264.685**

BALANCE SHEET (continued)

	EQUITY AND LIABILITIES	30.09.2015. EUR	30.09.2014. EUR
I	***Equity***		
	Share capital (equity)	711.436	711.436
	Reserves:		
	d) other reserves	77.481	77.481
	Total reserves	77.481	77.481
	Retained earnings		
	a) retained earnings for the previous year	619.503	2.276.944
	b) retained earnings for the reporting year	155.645	-961.564
	Total retained earnings	775.148	1.315.380
	Total equity	**1.564.065**	**2.104.297**
II	***Provisions***		
	Other provisions	71.106	69.782
	Total provisions	**71.106**	**69.782**
III	***Liabilities***		
I	***Long-term liabilities***		
	Loans from credit institutions	6.432.667	6.703.041
	Other loans	2.121.095	715.915
	Trade payables	1.669.903	0
	Further period income	2.235.641	2.276.048
	Deferred tax liabilities	112.278	35.852
	Total long-term liabilities	**12.571.584**	**9.730.856**
II	***Short-term liabilities***		
	Loans from credit institutions	4	257.661
	Other loans	86.343	351.343
	Prepayments received from customers	1.678.635	1.761.714
	Trade payables	2.296.555	3.760.831
	Taxes and state social insurance payables	264.956	165.547
	Other payables	51.345	35.051
	Further period income	26.604	25.468
	Accrued liabilities	0	2.135
	Total short-term liabilities	**4.404.442**	**6.359.750**
	Total liabilities	**16.976.026**	**16.090.606**
	Total equity and liabilities	**18.611.197**	**18.264.685**

Chairman of the Board__________________________Gundars Jaunsleinis

Member of the Board______________________________Gunta Isajeva

Member of the Board______________________________Ireneusz Sajewicz

27th November ,2015

INCOME STATEMENT

	2015 EUR	2014 EUR
Net turnover	4.401.017	2.534.154
Cost of sales	3.436.851	2.947.793
Gross profit or loss	**964.166**	**-413.639**
Sales expenses	133.255	110.069
Administrative expenses	379.015	321.160
Other operating income	77.400	126.101
Other operating expenses	33.781	39.367
Profit or loss from operations	**495.515**	**-758.134**
Interest payable and similar expenses	332.864	196.360
Profit or loss before extraordinary items and taxes	**162.651**	**-954.494**
Profit or loss before taxes	**162.651**	**-954.494**
Other taxes	7.006	7.070
Profit or loss of the reporting year	**155.645**	**-961.564**
Earnings (loss) per share (EPS)	**0,311**	**-1,923**

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Member of the Board______________________________Gunta Isajeva

Member of the Board______________________________Ireneusz Sajewicz

27th November ,2015

CASH FLOW STATEMENT (indirect method)

		2015 EUR	2014 EUR
I	***Cash flow from operating activities***		
1	Profit or loss before extraordinary items and taxes	**162.651**	**-954.494**
	Adjustments:		
a)	depreciation costs of tangible assets;	381.612	269.756
b)	profit or loss from foreign currency exchange rate fluctuations;	0	11
c)	subsidies, grants, endowments, donations;	-75.375	-126.051
d)	interest payable and similar expenses.	332.864	196.360
2	Profit or loss before corrections of changes in the balances of current assets and short-term liabilities	**801.752**	**-614.418**
	Adjustments:		
a)	(increase)/decrease in biological assets;	1.799.768	-3.774.115
b)	(increase)/decrease in receivables balances;	-81.032	-115.667
c)	(increase)/decrease in inventories balances;	-1.442.264	420.324
d)	increase/(decrease) in suppliers, contractors and other creditors payables balances.	-774.037	2.647.470
3	**Gross cash flow from operating activities**	**304.187**	**-1.436.406**
4	Interest payable	-332.864	-196.360
5	Immovable property tax expenses	-7.006	-7.070
6	**Cash flow before extraordinary items**	**-35.683**	**-1.639.836**
7	**Net cash flow from operating activities**	**-35.683**	**-1.639.836**
II.	***Cash flow from investing activities***		
1	Additions in tangible and intangible assets	-466.610	-2.131.008
8	**Cash flow from investing activities**	**-466.610**	**-2.131.008**
III.	***Cash flow from financing activities***		
1	Loans received	1.258.855	3.785.412
2	Subsidies, grants, endowments and donations received	75.375	126.051
3	Loans repaid	-874.236	-680.910
9	**Net cash flow from financing activities**	**459.994**	**3.230.553**
IV.	***Result of foreign currency exchange rate fluctuation***	0	-11
V.	***Net cash flow in the reporting year***	**-42.299**	**-540.302**
VI.	***Cash and its equivalents at the beginning of the reporting year***	**43.778**	**580.742**
VII.	**Cash and its equivalents at the end of the reporting year**	**1.479**	**40.440**

Chairman of the Board__________________________Gundars Jaunsleinis

Member of the Board______________________________Gunta Isajeva

Member of the Board______________________________Ireneusz Sajewicz

27th November ,2015

STATEMENT OF CHANGES IN EQUITY

	2015 EUR	2014 EUR
I. Share capital (equity)		
1. Amount in the balance sheet of the previous year	**711436**	**711436**
4. Amount in the balance sheet at the end of the reporting year	**711436**	**711436**
V. Reserves		
1. Amount in the balance sheet of the previous year	**77481**	**77481**
4. Amount in the balance sheet at the end of the reporting year	**77481**	**77481**
VI. Retained earnings		
1. Amount in the balance sheet of the previous year	**619503**	**2276944**
3. Increase/decrease in retained earnings	155645	-961564
4. Amount in the balance sheet at the end of the reporting year	**775148**	**1315380**
VII. Equity		
1. Amount in the balance sheet of the previous year	**1408420**	**3065861**
3. Amount in the balance sheet at the end of the reporting year	**1564065**	**2104297**

Chairman of the Board___________________________Gundars Jaunsleinis
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27th November ,2015

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 statements 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 folowing conditions:

- the report includes profit, that was acquired till the date of the balance sheet;
- all foreseeable risk amounts and losses that incurred during the reporting year or in the previous years have been taken into account even if they have been found out in the period between the date of balance sheet and the date, when annual report was signed;
- any value decrease and depreciated amounts have been calculated and taken into account regardless of whether the reporting year is finished with profit or loss.

4. Income and expenses related to the reporting year are taken into account regardless of the date of payment and the date of invoice receipt or issue. Expenses are reconciled with incomes in the reporting year.
5. Elements of the assets and liabilities items are evaluated separately.
6. Opening balances of the reporting year match closing balances of the previous year except the adjusted 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.

II. Recognition of revenues and net turnover

Net turnover is the total value of the goods (mink, polar fox and silver fox skins and fur skin products) sold and services provided within the year, subtracting discounts,value added tax and other taxes directly related to sales. Revenue from the product sale is recognized when the buyer has accepted the goods according to the terms and conditions of the goods delivery. Revenue from services provided is recognized at the time services are provided.
Other revenues are recognized as following:
- revenue from rent - at the time it occurs;
- revenues from fines and penalty payments - at the receipt time;
- revenues from insurance compensation - at the receipt time;
- revenues from dividends - when legal right appears;
- revenues from interest - on accrual basis of accounting.

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

III. Intangible and tangible assets

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

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

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

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

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

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

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

IV. 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 euro

The accounting in the Company is made in euro. All transactions in the foreign currency are revaluated to euro according to the official exchange rate defined by the European Central Bank 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 European Central Bank 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.

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 differencies smooth out. Temporary differences primarily arise from the use of different rates of depreciation of the fixed assets, as well as tax losses that are transfered to subsequent tax periods. A diferred tax asset is recognized if there is a high probability, that a taxable profit will be acquired, which will be object to the deductible temporary differencies.

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 measurment at fair value less estimated impairment due to degeneration and increase in value due to reproduction and impairment due to skin production are included in the income statement of the reporting period. The skins produced are included in the inventories and initially measured at fair value according to the cost calculation.

XV. Investment properties

The Company has no investment property.

XVI. Accrued liabilities, contingencies

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

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.