Joint Stock Company "GROBIŅA"

(Registration number 40003017297)

NON -AUDITED

FINANCIAL STATEMENTS
FOR THE 9 MONTHS PERIOD ENDED
30th SEPTEMBER, 2011

The items of the Financial Statement were converted to EUR according to the exchange rate fixed by the Bank of Latvia
as at 30th September,2011: LVL 1 = EUR 0.702804 and it is only for informative purposes.

Dubeņi, Grobiņa Municipality

Contents

Company information

Company name	Joint stock company "Grobiņa"
Legal status of the Company	Public joint stock company
Registration number, place and date	40003017297 Riga, 12 July 2004
Address	Lapsu street 3, Dubeņi, Parish Grobiņa, 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
Company's main operation	Fur-farming, growing, processing and sales of agricultural produce, trade and mediation, renting out premises

Names and positions of the Board members:

Chairman of the Board	Gundars Jaunsleinis (from 27.05.2011)
	Daina Kalniņa (until 01.03.2011.)
Member of the Board	Gunta Isajeva
Member of the Board	Andris Vītoliņš

Names and positions of the Council members:

Chairman of the Council	Agrita Jaunsleine (until 28.04.2011)
Chairman of the Council	Ojārs Osis (from 28.04.2011)
Member of the Council	Gunārs Laugalis
Member of the Council	Jānis Meijubers
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	Linda Elsberģe (from 28.04.2011)

Reporting period	1st January, 2011 – 30th September, 2011
Name and address of the Auditor	Marija Jansone Certified Auditor (LACA Certificate No.25) SIA AUDIT ADVICE Certified auditors commercial company Licence No.134 Rīga, Brīvības 40-48, Latvia, LV-1050

Management Report

Type of operation

The main operation of JSC "Grobiņa" is fur-farming of minks.

Company's operation during the reporting year

The net turnover on the 9 months of 2011 is LVL1 574 970 and it is decreased about 18% compared with the 9 months of 2010. On this year the skin prices at the auction houses had increased about 27 % but as there were less skins produced on the last year, the income forom skin realization had decreased.

On the 9 months of 2011 there were sold 73 847 mink skins for the average selling price of 20,76 LVL/piece and 479 fox skins for the average price of 27,36 LVL per piece. On the 9 months of 2010 there were sold 115 518 mink skins for the average price of 16,36 LVL per piece and 1468 fox skins for the average price of 14,13 LVL per piece.

The average number of employees on the 9 months of 2011 is 84, on the year 2010 this average number was 86.

The profit of the 9 months of 2011 is LVL 115 825. The net profit on one share is 0,232 LVL or 0,330 EUR. The net profit on one share on the 9 months of year 2010 was 0,378 LVL or 0,538 EUR.

Financial results

Total liquidity ratio = 1,84

Liquidity intermediary coverage ratio = 0.19

Absolute liquidity ratio = 0,13

Proportion of liabilities in Balance Sheet = 0.44

Liabilities to shareholders' equity ratio = 0,79

Stock turnover ratio = 0,94

All assets turnover ratio = 0.63

Return on sales (%) = 7,36%

Return on shareholders' equity (%) = 8,34%

The Company follows prudent liquidity risk management ensuring that adequate credit resources are available for fulfilling its liabilities in fixed terms. On 30th September, 2011 the Company's current assets exceeded short-term liabilities by LVL 749 542. The long-term liabilities include long-term component of long-term bank loan, which time limit according to the subsequent agreement is 31st March, 2015. In the 9 months of 2011 the Company had made credit repayments about EUR 77 700. The Company management believes that the Company will have sufficient cash and its liquidity will not be endangered.

So far the base product by JSC „Grobina" was the so-called long-haired minks, which skin production losses their position against short-haired mink skins. Short haired mink skins are average per 30 % expensive and thanks to the fashion trends in China, the industry experts are predicting growing demand an also the price increase directly to short-haired mink skins.

Therefore the main aim to JSC „Grobina" is to completely waive up the so far grown long-haired mink type, by completely changing the animal herd to high quality Scandinavian type short-haired minks starting with the year 2012. To achieve this, the management of JSC „Grobina" has decided to slaughter all the animals in farm, including the breeding animals, till the end of the year 2011. According to the planned changes in JSC „Grobina" further actions the board of JSC „Grobina" had prepared budget amendments for year 2011, what were viewed and approved by the supervisory board of JSC „Grobina" at the supervisory boards meeting on 14th July, 2011.

At the same time, by taking the opportunity when there will be no animals in the farm, the complex cleaning and disinfection as well as the industrial building clear-out will be made, to fight and limit the spread of the long existing disease, which was the main reason for the big fallen animal proportion so far.

Future perspectives

As in result of all actions mentioned above, the disease that caused the animal falling will be reduced to minimum and the birthrate will be increased to even over the planned 4,5 kits per mother as well as will raise the skin quality. The falling of animals will be minimized and the mink kit birthrate will be increased and in market required, higher quality, expensive skins will be produced by providing animals with high quality food and by using animal breeding technology which is used in Denmark's and Lithuanian farms. The profitability of the company will be increased and higher profit in the future will be ensured by increasing production volume, growing more than 100 000 animals on year 2012.

Chairman of the Board____________________________Gundars Jaunsleinis

Member of the Board____________________________Gunta Isajeva

Member of the Board____________________________Andris Vītoliņš

31st October, 2011

DECLARATION ON MANAGEMENT RESPONSIBILITY

The JSC "Grobiņa" management is responsible for preparation of the Company's Financial Report.

The JSC "Grobiņa" management confirms that the Financial Report for the nine-months of 2011 has been prepared according to the requirements of the valid laws and regulatons and represents truthful and clear information on the JSC "Grobiņa"assets, liabilities, financial position and loss. The Management Report contains truthful information.

The established internal control procedures are effective; risk management and internal control during the reporting year were applied according to the internal control procedures.

The management of the JSC "Grobiņa" is responsible for performance in complience with the Republic of Latvia legislation.

Chairman of the Board ________________________ Gundars Jaunsleinis

Member of the Board______________________________ Gunta Isajeva

Member of the Board______________________________ Andris Vītoliņš

31st October, 2011

BALANCE SHEET

ASSETS	30.09.2011 Ls	30.09.2011 EUR	30.09.2010 Ls	30.09.2010. EUR
Long-term investments				
I Intangible assets				
Concessions,patents, licences, trade marks and similar rights	0	0	37	53
Total intangible assets	**0**	**0**	**37**	**53**
II Fixed assets				
Land, buildings, structures and perennials	363 356	517 009	400 857	570 368
Equipment and machinery	86 060	122 452	108 238	154 009
Other fixed assets and equipment	68 865	97 986	66 533	94 668
Fixed assets under construction	25 100	35 714	26 340	37 478
Total fixed assets	**543 381**	**773 162**	**601 968**	**856 523**
IV Biological assets				
Breeding animals	10 206	14 522	210 901	300 085
Advance payments forthe breeding animals	312 045	444 000	0	0
Total biological assets	**322 251**	**458 522**	**210 901**	**300 085**
V Long-term financial investments		0		
Other securities and investments	352	501	352	501
Other loans and long-term debtors	2 500	3 557	2 500	3 557
Total long-term financial investments	**2 852**	**4 058**	**2 852**	**4 058**
Total long-term investments	**868 484**	**1 235 741**	**815 758**	**1 160 719**
Current assets				
I Stocks				
Raw materials and consumables	81 894	116 525	68 357	97 263
Unfinished production	185 115	263 395	102 213	145 436
Finished production and goods for sale	335 182	476 921	131 472	187 068
Prepayment for goods	18 347	26 105	15 670	22 296
Food-producing animals	844 486	1 201 595	1 151 406	1 638 303
Total stocks	**1 465 024**	**2 084 541**	**1 469 118**	**2 090 367**
III Accounts receivable				
Trade debtors	27 326	38 881	376 223	535 317
Other debtors	20 448	29 095	52 658	74 926
Deferred expenses	6 475	9 213	2 749	3 911
Total debtors	**54 249**	**77 189**	**431 630**	**614 154**
V Cash (total)	**119 436**	**169 942**	**53 768**	**76 505**
Total current assets	**1 638 709**	**2 331 673**	**1 954 516**	**2 781 026**
Total assets	**2 507 193**	**3 567 414**	**2 770 274**	**3 941 745**

BALANCE SHEET (continued)

	LIABILITIES	30.09.2011 Ls	30.09.2011 EUR	30.09.2010 Ls	30.09.2010. EUR
I	***Shareholders' equity***	500 000	711 436	500 000	711 436
	Share capital (equity)				
	Reserves:				
	d) other reserves	54 454	77 481	54 454	77 481
	Total reserves	54 454	77 481	54 454	77 481
	Retained profit				
	a) retained profit of the prrevious years	719 076	1 023 153	697 616	992 618
	b) retained profit of the reporting year	115 825	164 804	189 117	269 089
	Total retained profit	834 901	1 187 957	886 733	1 261 707
	Total shareholders' equity	**1 389 355**	**1 976 874**	**1 441 187**	**2 050 624**
II	***Provisions***				
	Other provisions	22 448	31 941	23 060	32 811
	Total provisions	**22 448**	**31 941**	**23 060**	**32 811**
III	***Creditors***				
I	***Long-term creditors***				
	Loans from credit institutions	163 426	232 534	218 034	310 234
	Other creditors	42 799	60 897	229 830	327 019
	Total long-term creditors	**206 225**	**293 432**	**447 864**	**637 253**
II	***Short-term creditors***				
	Other loans	18 903	26 897	13 317	18 948
	Advance payments from customers	722 467	1 027 978	572 536	814 645
	Trade creditors	110 132	156 704	219 793	312 737
	Taxes and social security payments	20 817	29 620	41 112	58 497
	Other creditors	16 846	23 970	11 405	16 228
	Total short-term creditors	**889 165**	**1 265 168**	**858 163**	**1 221 056**
	Total creditors	**1 095 390**	**1 558 600**	**1 306 027**	**1 858 309**
	Total Liabilities	**2 507 193**	**3 567 414**	**2 770 274**	**3 941 745**

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Member of the Board______________________________ Gunta Isajeva

Member of the Board______________________________ Andris Vītoliņš

31st October, 2011

PROFIT AND LOSS ACCOUNT

	30.09.2011 Ls	30.09.2011 EUR	30.09.2010 Ls	30.09.2010. EUR
Net turnover	1 574 970	2 240 980	1 917 680	2 728 613
Cost of sales	1 299 575	1 849 129	1 524 921	2 169 767
Gross profit or loss	**275 395**	**391 852**	**392 759**	**558 846**
Selling expenses	75 485	107 405	105 478	150 082
Administrative expenses	125 700	178 855	94 403	134 323
Other operating income	39 984	56 892	14 478	20 600
Other operating expenses	1 204	1 713	0	0
Profit or loss from operation	**112 990**	**160 770**	**207 356**	**295 041**
Other interest income and similar income	2	3	47	67
Interest expenses and similar expenses	25 433	36 188	17 109	24 344
Profit or loss before extraordinary items and taxes	**87 559**	**124 585**	**190 294**	**270 764**
Extraordinary income	29 506	41 983	0	0
Profit or loss before taxes	**117 065**	**166 568**	**190 294**	**270 764**
Other taxes	1 240	1 764	1 177	1 675
Profit or loss in the reporting year	**115 825**	**164 804**	**189 117**	**269 089**
Earnings per share (EPS)	**0,232**	**0,330**	**0,378**	**0,538**

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31st October, 2011

CASH FLOW STATEMENT (by indirect method)

		30.09.2011 Ls	30.09.2011 EUR	30.09.2010 Ls	30.09.2010. EUR
	I. Cash flow from operating activities				
1	Profit or loss before extraordinary items and taxes	**87 559**	**124 585**	**190 294**	**270 764**
	Adjustments:				
a)	depreciation of fixed assets;	53 050	75 483	50 259	71 512
b)	Intangible assets value write-offs;	14	20	82	117
c)	gain or loss from currency exchange rate fluctuations;	-2 330	-3 315	-3 161	-4 498
d)	grants received	-16 591	-23 607	0	0
e)	other interest income and similar income;	-2	-3	-47	-67
f)	interest payable and similar expenses.	25 433	36 188	17 109	24 344
2	Profit or loss before changes in current assets	**147 133**	**209 351**	**254 536**	**362 172**
	Adjustments:				
a)	(increase)/decrease of biological assets	279 128	397 163	31 849	45 317
b)	(increase)/decrease in debtors saldo;	27 843	39 617	-410 132	-583 565
c)	(increase)/decrease in stock residuals;	-188 638	-268 408	-32 472	-46 203
d)	increase/(decrease) in residual accounts payable to trade creditors and other creditors	70	100	387 957	552 013
3	**Gross cash flow from operationing activities**	**265 536**	**377 824**	**231 738**	**329 733**
4	Interest payments	-25 433	-36 188	-17 109	-24 344
5	Expenses for real estate payments	-1 240	-1 764	-1 177	-1 675
6	**Cash flow before extraordinary items**	**238 863**	**339 871**	**213 452**	**303 715**
7	Cash flow from from extraordinary items	29 506	41 983	0	0
8	**Net cash flow from operating activities**	**268 369**	**381 855**	**213 452**	**303 715**
II.	***Cash flow from investing activities***				
1	Fixed asset and intangible asset additions	-6 066	-8 631	-70 886	-100 862
2	Interest income and similar income	2	3	47	67
9	**Cash flow from investing activities**	**-6 064**	**-8 628**	**-70 839**	**-100 795**
III.	***Cash flow from financing activities***				
1	Loans received	40 958	58 278	0	0
2	Subsidies, grants, endowments and donations received	16 591	23 607	0	0
3	Loans repaid	-304 913	-433 852	-126 153	-179 500
10	**Net cash flow from financing activities**	**-247 364**	**-351 967**	**-126 153**	**-179 500**
IV.	***Result of foreign currency exchange rate fluctuation***	2 330	3 315	3 161	4 498
V.	***Net cash flow in the reporting year***	**17 271**	**24 574**	**19 621**	**27 918**
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***	**119 436**	**169 942**	**53 768**	**76 505**

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Member of the Board _____________________________________ Gunta Isajeva

Member of the Board _____________________________________ Andris Vītoliņš

31st October, 2011

STATEMENT OF CHANGES IN EQUITY

Types of changes	Share capital LVL	Share capital EUR	Other reserves LVL	Other reserves EUR	Retained profit LVL	Retained profit EUR	Total LVL	Total EUR
Balance as at 31.12.2009.	500000	711436	54454	77481,1	697616	992618	1252070	1781535,1
Net profit or loss over the reporting period					21460	30535	**21460**	**30535**
Balance as at 31.12.2010.	**500000**	**711436**	**54454**	**77481,1**	**719076**	**1023153**	**1273530**	**1812069,9**
Net profit or loss over the reporting period					115 825	164804	**115825**	**164804**
Balance as at 30.09.2011.	**500000**	**711436**	**54454**	**77481,1**	**834901**	**1187957**	**1389355**	**1976874,1**

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31st October, 2011

NOTES TO FINANCIAL STATEMENTS

ACCOUNTING POLICY

I. General Principles

The Financial Report has been prepared in accordance with the Republic of Latvia legislative norms " On Accounting", "On Annual Reports" and under the regulations of LR Cabinet of Ministers.

The Profit or Loss Calculationt is drawn up according to the method of turnover costs.

Cash Flow Statement has been prepared calculating the cash flow from operating activities by indirect method.

Compared with the previous reporting year, the methods of accounting and evaluation, used by the Company, have not been changed.

The comparing sums indicated in Balance sheet, cash flow schedule, profit or loss calculation schedule are from the same period of last year -30st September, 2010 and period January - September, 2010

The Accounting Principles used

Items of the financial statements have been assessed according to the following accounting principles.

1. It is assumed that the Company will continue its operation in the future.

2. The same methods of assessment are used as in the previous reporting year.

3. Assesment is made with due caution, with the following conditions:

- - the statement includes only the profit gained before the date of balance sheet;
- taken into account are all the predictable risk amounts and loss incurred in the reporting year or over the previous years also in the cases when they have become known in the period between the date of the balance sheet and the day of signing the annual report;
- all the sums reducing the amounts and depreciation are calculated and taken into account irrespective of whether the reporting year is closed with profit or loss..

4. Income and expenses related to the reporting year have been taken into account regardless of the date of payment and the receipt or issue of invoices. Expenses have been coordinated with the income in the reporting

5. The constituents of assets and liabilities items have been assessed separately.

6. Beginning balance of the reporting year is the same as the closing blance of the year before, except for the adjusted items.

7. All the items are included, which are of essential importance for the Annual Report users' assessment or decision making, items of minor importance are joined and their details are given in the Notes.

8. Business transactions are shown in the Annual Report taking into account their economic content and essence, and not their legal form.

II. Recognition of revenues and net turnover

Net turnover is the total value of the products (mink, polar fox and silver fox skins) sold and services provided within the year, subtracting discounts,value added tax and other taxes directly related to sale. The revenue from the product sale is recognized when the buyer has accepted the goods according the terms and conditions of the goods delivery. The revenue from services rendered is acknowledged at the time they are provided. Revenue from the dividends is acknowledged when the legal right to them sets in.
Other revenue is acknowledged as follows:
- revenue from lease - at the moment of arising;
- revenues from fines and penalties - at the moment they are received;
- revenue from insurance remuneration - at the moment it is received.
- revenue from dividends - when legal rigts to them set in.

III. Intangible assets and fixed assets

The value of intangible assets and fixed assets is their purchase value, minus accrued depreciation. The purchase value includes expenses, which are directly related to the purchase of the immaterial asset or fixed asset. The purchase value of the software licences includes licence purchase expenses and the expenses incurred upon introducing them in operation.The value of the immaterial assets is expected to be included in the expenses within five years.

Land is not depreciated. In respect of other assets the depreciation is calculated according to the straight line depreciation method within the period of effective use of the relevant intangible assets and fixed assets, in order to write-off the purchase value or the revaluation value of the intangible asset or the fixed asset until its estimated residual value at the end of the period of effective use using the rates determined by the management as follows:

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

The initial value of unfinished construction sites is increased by other direct expenses having occured in respect of the relevant site until comissioning of the newly created site. The initial value of the respective fixed asset is not increased by the interest of the loans used for creation of the new fixed asset in the periods when active development work regarding the uncompleted construction site is not carried out. At the end of the Reference year the amount of decrease of the construction site has been revalued.

Further expenses are included in the assets book value or recognized as a separate asset only when there is a strong likelihood that future economic benefits, which are related to this account will flow in the Company and the expenses related to this account can be determined credibly. Such expenses are written-off in the remainig period of effective use of the respective fixed asset. Upon capitalizing the expenses of the installed spare part the residual value of the replaced part is written-off in the profit or loss statement.

The expenses of the ordinary repairs and maintenance of fixed assets are included in the profit or loss statement for the period they were incurred.

Profit or loss from disposal of fixed assets is calculated as the difference between the book value of the fixed asset anf the revenue from its sale, and the revenue from writing-off the reserve of the fixed asset's revaluation, and is included in the estimate of profit or loss in the accounting period it occured.

IV. Stocks

Stocks are depicted according to their cost price or market value, in case it is below the cost price. Stocks are evaluated according to FIFO method. The amount decrease of outdated, slow turnover or damaged stock is written off. The stock is recorded according the continuous stocktaking method.

V. Debtors

Debtors are entered into the balance sheet as net value, by subtracting the special reserve for doubtful and bad debts from the initial value. Special provisions for doubtful and bad debts is created in cases, when the mangement believes that recovery of the debt of these separately allocated debtors is doubtful.

VI. Foreign currencies revaluation in Latvian lats

Accounting in the company is done in lats. All the transactions in foreign currencies are revaluated in lats according the exchange rate fixed by the Latvian Bank on the day of the relevant transaction.
Assets and liabilities, expressed in foreign currency are calculated in lats according the exchange rate fixed by the Bank of Latvia on the last day of the year of account. Profit or loss from the fluctuations of exchange rates are reflected in the Profit and loss statement of the relevant period.

	30.09.2011. (in lats)	**30.09.2010** (in lats)	
1 USA dollar	**0,516**	**0,517**	(USD)
1 EUR	**0,702804**	**0,702804**	(EUR)
1 Lithuanian lit	**0,204**	**0,204**	(LTL)
1 Danish krone	**0,0944**	**0,0943**	(DKK)
1 Russian rouble	**0,0163**	**0,0170**	(RUB)

VII. Cash and cash equivalents

In the Cash Flow Statement cash and cash equivalents include cash, saldo of the current bank accounts and the short-term deposits with the first maturity up to 90 days.

VIII. Finance Risk Management

The most important company' s financial instrument is cash.The purpose of this financial instrument is to provide for the financing of its economic activity.The Company comes into contact with several other financing instruments as well, e.g.customers' and clients' debts and other debtors, liabilities to suppliers and contractors, and other creditors, which result directly from its economic activity. The company may grant short-term loans to the management and employees.
Financial risks
The main financial risks related to the Company' s financing instruments are liquidity risk and credit risk.
The company' s policy envisages to provide that the interest rate of the largest share of its loans is fixed.
Credit risk
The Company is exposed to credit risks related to its customers' and clients' debts, other debtors, and cash and its equivalents. The company manages its credit risk constantly evaluating the client debt repayment history and providing special credit terms and conditions for each client. Besides the Company monitors the residual debtors debt to minimize the possibility of unrecoverable debts arising.
The partners in cash transactions are home and foreign financial institutions with a relevant credit history.
Liquidity risk.The company manages its liquidity risk by providing appropriate financing.

IX. Subsidies

Subsidies received for special types of capital investment are treated as revenues in future periods, which are included gradually in the revenues during the useful life of the fixed assets received or purchased with the subsidiy. Subsidy to cover expenses is recognized in revenues in the same period when the relevant expenditure was born, provided all the terms and conditions in respect of receiving the subsidy are fulfilled.

X. Loans

Initially the loans are recognized for their fair value, with the exception of the expenses related to the receipt of the loan. In the following periods loans are recorded as the depreciated purchase value, which is valuated, 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 Profit and loss statement.

XI. Taxes

he corporate income tax expenses of the year of account are included in the financial statement, basing on the calculations made by the management in accordance with the tax legislation of the Latvian Republic.

The deferred tax is calculated according to the liabilities method in respect of all the temporary differences between assets and liabilities carrying amounts in the financial statements and the amount attributed for tax purposes. When calculating the deferred tax the tax rates effective on the balance sheet date are used, which are anticipated in the periods when the temporary differences are offset.The temporary differences chiefly occur using different rates of depreciation of fixed assets as well as from tax losses, which are to be carried to the future tax periods. The asset of a deferred tax is recognized when there is a reasonable likelihood that a taxable profit will be gained, to which the deductable temporary difference may be attributed.

XII. Provisions

Provisions are recognized provided a present legal or practice based obligation has arisen for the Company in the result of some past events, and there is a strong likelihood that fulfilment of the obligation will cause an outflow of economic benefits, and this sum can be estimated credibly.

XIII. Related parties

Participants of a company, Board Members, Council members, close relatives of theirs' and companies, over which the above mentioned persons have control or material influence are considered related parties.

XIV. Biological assets

he Company' s biological assets are fur animals. The biological assets are evaluated at their fair value. The fair value is estimated according the cost price value.The alterations of the amount of biological assets, which have occured upon their evaluation in fair value, from which deducted is the decrease of the estimated amount due to degeneration, the increase of the amount due to breed and decrease of amount due to production of skins, is included in the Profit and loss statement of the relevant period. The skins produced are included in the stock and initially evaluated as fair value according the cost price calculation.

XV. Investment properties

The does not posess investment property.

XVII. Provisions for unused annual holidays

Provisions for unused annual holidays and obligatory state social security payments for unused holidays is calculated as total provisions for all the employees taking into account each employee' s average daily wages and the accrued number of holidays at the end of the reporting period.

XVIII. Earnings per share

Earnings per share is calculated by dividing net earnings or loss, which may be attributed to Company shareholders by the weighted average number of shares in the reporting year.