

# **Joint Stock Company "GROBIŅA"**

(Unified registration number 40003017297)

## **ANNUAL REPORT**

**FOR THE PERIOD**

**01 JANUARY 2012 -**

**31 DECEMBER 2012**

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 2012: LVL 1 = EUR 0.702804

as at 31 December 2011: LVL 1 = EUR 0.702804

and it is only for informative purposes.

*Dubeņi, Grobiņa district*

***Contents***

|  | <b>Pages</b> |
|--|--------------|
| General Information                      | 3            |
| Management Report                        | 4            |
| Statement of Management's Responsibility | 7            |
| Balance Sheet                            | 8            |
| Income Statement                         | 10           |
| Cash Flow Statement                      | 11           |
| Statement of Changes in Equity           | 12           |
| Notes to the Financial Statements        | 13           |
| Independent Auditor's Report             | 31           |

### ***General Information***

|  |   |
|--|---|
| Name of the Company  | Joint stock company "Grobiņa"   |
| Legal status of the Company  | Public joint stock company  |
| Registration number, place, date   | 40003017297<br>Riga, 12 July 2004   |
| Address  | Lapsu Street 3, Dubēni, Grobiņa district<br>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  |
| 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  |
| Member of the Council  | Argita Jaunsleine   |
| Member of the Council  | Gunārs Laugalis   |
| Member of the Council  | Jānis Meijubers (to 02.10.2012.)  |
| Member of the Council  | Linda Elsberģe  |
| Member of the Council  | Silvija Neimane (from 02.10.2012.)  |
| Reporting year   | 01 January 2012 – 31 December 2012  |
| Name and address of the auditor  | Marija Jansone<br>Sworn auditor<br>(LACA Certificate No.25)   |
|  | SIA AUDIT ADVICE<br>Sworn auditors company's licence No.134<br>Riga, Grecinieku Street 9-3, Latvia, LV-1050 |

## **Management Report**

### **Core Business Activity**

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

### **Operations during the reporting year**

Net turnover of 2012 is LVL 2 195 815, comparing with 2011 net turnover has decreased by 8%. Sales prices for auction houses increased by 38% this year, also by 32% decreased amount of skins sold. Within 12 months of 2012 68 760 mink skins were sold at an average sales price of LVL/pc 31,88 and 8 fox skins were sold at the average sales price of LVL/pc 9,35. In 12 months of 2011 103 086 mink skins were sold at the average sales price of LVL/pc 23,02 and 491 fox skins were sold at the average sales price of LVL/pc 27,69.

The average number of employees in JSC "GROBIŅA" within 12 months of 2012 is 82, in the same period of 2011 - 84 employees.

In 2012 in salaries and wages Company has paid LVL 352 428, average wage and salary per one employee was LVL 358,16. In 2011 in salaries and wages Company has paid LVL 338 673 and average wage and salary's value per employee was LVL 335,99.

Profit of 2012 is LVL 464 196. Net earnings per share is LVL 0.928 or EUR 1.321. Net earnings per share in 2011 were LVL 0.333 or EUR 0.473.

As previously reported, in order to import high quality Scandinavian type smooth-haired breeding herd of 22 000 pregnant minks from Poland, in the first quarter of 2012 were accomplished all farm and production premises disinfection activities.

Due to the in April 2012 JSC "ABLV Bank" bank's granted financial support, which were taken for JSC "GROBIŅA" project co-financing, JSC "GROBIŅA" Board members' mentioned project in April 2012 were implemented.

In order to meet the highest quality standards Company has adapted and introduced world recognised and validated method of mink three time feeding. Expected results are mink quality and size indicator improvement.

Thereby JSC "GROBIŅA" Board members in 2012 managed to obtain high quality mink's skins, which ensured all-time highest sales amount and helped in increasing Company's profit levels and profitability indicators.

The Board of JSC "GROBIŅA" has prepared a Report on Corporate Governance in 2012. 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.

### **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 5% 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 2012 the Company's current assets exceeded short-term liabilities by LVL 116 200. Long-term liabilities include long-term loan from bank, the maturity is 10 October 2014. The Company's Management believes that the Company will have sufficient cash resources and its liquidity will not be compromised.

### **Financial results**

Total liquidity ratio = 1.08

Current liquidity ratio = 0.25

Quick liquidity ratio = 0.21

Specific weight of liabilities in the balance sheet = 0.51

Debt/Equity Ratio = 1.06

Inventory turnover ratio = 1.24

Asset turnover ratio = 0.56

Profit on sales (%) = 21.14%

Return on equity (%) = 24.38 %

### **Legal proceedings**

The Board of JSC "GROBIŅA" members informe, that in 2012 against AS "GROBIŅA" there is no legal proceedings initiated.

However in previous years initiated proceedings against Board and Concil are not completed yet.

Further details on proceedings and results are regularly published.

### **Subsequent events**

In February 2013 Company's 1 278 500 EUR loan in JSC "ABLV Bank" bank was refinanced by canceling credit agreement with JSC "Citadele banka". As a result of loan refinacation repayment terms were prolonged from 10.10.2014. to 20.07.2015 and also were reduced fixed interest rate from 5% to 4.2%. Loan repayments have to be done every month in accordance with repayment schedule.

As of the last day of the reporting year until the date of signing this report, there have been no other major events requiring adjustments or disclosure in these financial statements.

### **Management's proposals on profit sharing**

Taking into account 2012 profit volume in Shareholder's meeting JSC "GROBIŅA" Board recommends to consider part of the profit pay as dividends.

## Future perspective

In May 2012 JSC "GROBIŅA" began project "Development of fur animal farms" realization. Hence in May 2012 Company has closed lease contract with Pāvilostas region local municipality for the long-term lot lease with a plot rights. Lot is located in Pāvilosta Vērgenes pagasts "Ceļmalnieki". Leased lot territory will be used to build new streamlined fur-farm.

The aim of modern, fully automated (functioning of the farm can be maintained by approximately 24 employees) and from diseases clean fur-animal (mink) farm building is farm modernization. In the new farm at the same time it will be possible to keep 16 500 breeding mink large herd. Farm will be located 20 km farther from the current farm location.

Total costs of the new farm project implementation are planned to be LVL 4 160 000, of which expenses for the construction and fixed installations will amount for approximately LVL 2 800 000, technical and equipment costs will amount for LVL 200 000, new breeding mink's acquisition will amount for LVL 1 160 000.

Taking into account massive cost of the project The Board of the JSC "GROBIŅA" submitted an Application to the Rural Support Service (hereinafter referred as RSS) to attract European Agricultural Fund's programme for rural development "Rural holding's modernization" co-financing.

With RSS decision No 04.3/2-11/1971 from 28.08.2012. and decision No 04.1/2-11/2888 from 14.11.2012. co-financing to the JSC "GROBIŅA" project "New fur-animal farm construction" is approved in amount of LVL 1 680 000. The remaining costs of the project in amount of LVL 1 120 000 JSC "GROBIŅA" is planning to cover with credit institution's granted loan.

In order to fulfil this project in February 2013 JSC "GROBIŅA" conclude loan agreement with JSC "Citadele banka" to obtain credit in amount of EUR 3 984 041 with loan time of the granting till the 19.02.2020.

JSC "GROBIŅA" LVL 1 680 000 or EUR 2 390 424 large part of the loan was planning to repay with above mentioned Rural Development co-financing, but remaining amount of the loan to cover with Company's monthly payments in accordance with payment schedule.

New farm construction will begin in March 2013 and will be finished in March 2014. With completing of previously mentioned project JSC "GROBIŅA" will be able to increase production volume to more than 200 000 animal growing. Hence in 2015 in three year's time it is planned to increase Company's net turnover to LVL 6,25 millions.

In 2012 JSC "GROBIŅA" management has started another project's development and realization processes. This project includes new and independent feeding kitchen formation, which in the future could provide with forage not only JSC "GROBIŅA" farms, but also other farms in Latvia and Lithuania. Project implementation in the several years time is divided into separate phases. The volume of the project's investment necessary are planned to be from LVL 1,5 million to 5 million.

JSC "GROBIŅA" management believes that formation of previously described forage kitchen is one of the most important precondition for mink farming industry's development in Latvia.

Chairman of the Board \_\_\_\_\_ Gundars Jaunsleinis

Member of the Board \_\_\_\_\_ Gunta Isajeva

Member of the Board \_\_\_\_\_ Andris Vītoliņš

15 March 2013

## ***PAZIŅOJUMS PAR VADĪBAS ATBILDĪBU***

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" in accordance with information available confirms that the Annual Report for the financial year 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 provides true review of JSC "Grobiņa" growth and performance results.

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 March 2013

## BALANCE SHEET

| ASSETS   | Notes | 31.12.12.<br>LVL | 31.12.12.<br>EUR | 31.12.11.<br>LVL | 31.12.11.<br>EUR |
|--|-------|------------------|------------------|------------------|------------------|
| <b>Non-current assets</b>                                      |       |                  |                  |                  |                  |
| <b>I Intangible assets</b>                                     |       |                  |                  |                  |                  |
| Concessions, patents, licences, trade marks and similar rights |       | 0                | 0                | 0                | 0                |
| <b>Total intangible assets</b>                                 | 3     | <b>0</b>         | <b>0</b>         | <b>0</b>         | <b>0</b>         |
| <b>II Tangible assets</b>                                      |       |                  |                  |                  |                  |
| Land, building and construction                                |       | 326 250          | 464 212          | 355 914          | 506 420          |
| Equipment and machinery  |       | 86 571           | 123 179          | 102 576          | 145 952          |
| Other fixed assets and equipment                               |       | 70 400           | 100 170          | 67 911           | 96 629           |
| Construction in progress                                       |       | 27 172           | 38 662           | 25 100           | 35 714           |
| <b>Total tangible assets</b>                                   | 4     | <b>510 393</b>   | <b>726 224</b>   | <b>551 501</b>   | <b>784 715</b>   |
| <b>III Biological assets</b>                                   |       |                  |                  |                  |                  |
| Breeding animals   |       | 1 768 218        | 2 515 948        | 0                | 0                |
| Advance payments for breeding animals                          |       | 2 811            | 4 000            | 312 045          | 444 000          |
| <b>Total biological assets</b>                                 | 5     | <b>1 771 029</b> | <b>2 519 947</b> | <b>312 045</b>   | <b>444 000</b>   |
| <b>IV Long-term financial investments</b>                      |       |                  |                  |                  |                  |
| Other loans and long-term receivables                          |       | 0                | 0                | 2 500            | 3 557            |
| <b>Total long-term financial investments</b>                   | 6     | <b>0</b>         | <b>0</b>         | <b>2 500</b>     | <b>3 557</b>     |
| <b>Total non-current assets</b>                                |       | <b>2 281 422</b> | <b>3 246 171</b> | <b>866 046</b>   | <b>1 232 272</b> |
| <b>Current assets</b>  |       |                  |                  |                  |                  |
| <b>I Inventories</b>   |       |                  |                  |                  |                  |
| Raw materials and consumables                                  | 7     | 126 449          | 179 921          | 26 925           | 38 311           |
| Unfinished production  | 8     | 1 212            | 1 725            | 0                | 0                |
| Finished production and goods for sale                         | 9     | 1 150 962        | 1 637 671        | 983 998          | 1 400 103        |
| Prepayments for goods  | 10    | 0                | 0                | 691              | 983              |
| <b>Total inventories</b>                                       |       | <b>1 278 623</b> | <b>1 819 317</b> | <b>1 011 614</b> | <b>1 439 397</b> |
| <b>II Receivables</b>  |       |                  |                  |                  |                  |
| Trade receivables  | 11    | 10 850           | 15 438           | 30 905           | 43 974           |
| Other receivables  | 12    | 39 566           | 56 297           | 23 020           | 32 755           |
| Prepaid expenses   | 13    | 5 150            | 7 328            | 2 147            | 3 055            |
| <b>Total receivables</b>                                       |       | <b>55 566</b>    | <b>79 063</b>    | <b>56 072</b>    | <b>79 783</b>    |
| <b>III Cash (total)</b>  | 14    | <b>327 309</b>   | <b>465 719</b>   | <b>47 320</b>    | <b>67 330</b>    |
| <b>Total current assets</b>                                    |       | <b>1 661 498</b> | <b>2 364 099</b> | <b>1 115 006</b> | <b>1 586 511</b> |
| <b>Total assets</b>  |       | <b>3 942 920</b> | <b>5 610 270</b> | <b>1 981 052</b> | <b>2 818 783</b> |

The accompanying notes from 13 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

15 March 2013



**BALANCE SHEET (continued)**

| PASĪVS                                      | Notes | 31.12.12.<br>LVL | 31.12.12.<br>EUR | 31.12.11.<br>LVL | 31.12.11.<br>EUR |
|---|-------|------------------|------------------|------------------|------------------|
| <b>I Equity</b>                             |       |                  |                  |                  |                  |
| 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  |       | 885 459          | 1 259 895        | 719 076          | 1 023 153        |
| b) retained earnings for the reporting year |       | 464 196          | 660 491          | 166 383          | 236 742          |
| <i>Total retained earnings</i>              |       | 1 349 655        | 1 920 386        | 885 459          | 1 259 895        |
| <b>Total equity</b>                         |       | <b>1 904 109</b> | <b>2 709 303</b> | <b>1 439 913</b> | <b>2 048 812</b> |
| <b>II Provisions</b>                        |       |                  |                  |                  |                  |
| Other provisions                            | 16    | 30 874           | 43 930           | 31 321           | 44 566           |
| <b>Total provisions</b>                     |       | <b>30 874</b>    | <b>43 930</b>    | <b>31 321</b>    | <b>44 566</b>    |
| <b>III Liabilities</b>                      |       |                  |                  |                  |                  |
| <b>I Long-term liabilities</b>              |       |                  |                  |                  |                  |
| Loans from credit institutions              | 17    | 449 443          | 639 500          | 108 818          | 154 834          |
| Other loans                                 | 18    | 13 196           | 18 776           | 0                | 0                |
| <b>Total long-term liabilities</b>          |       | <b>462 639</b>   | <b>658 276</b>   | <b>108 818</b>   | <b>154 834</b>   |
| <b>II Short-term liabilities</b>            |       |                  |                  |                  |                  |
| Loans from credit institutions              | 17    | 449 093          | 639 002          | 54 608           | 77 700           |
| Other loans                                 | 18    | 8 392            | 11 941           | 117 944          | 167 819          |
| Prepayments received from customers         | 19    | 846 139          | 1 203 947        | 159 242          | 226 581          |
| Trade payables                              |       | 178 971          | 254 653          | 34 022           | 48 409           |
| Taxes and state social insurance payables   | 20    | 27 961           | 39 785           | 13 982           | 19 895           |
| Other payables                              | 21    | 21 422           | 30 481           | 14 121           | 20 092           |
| Accrued liabilities                         | 22    | 13 320           | 18 953           | 7 081            | 10 075           |
| <b>Total short-term liabilities</b>         |       | <b>1 545 298</b> | <b>2 198 761</b> | <b>401 000</b>   | <b>570 572</b>   |
| <b>Total liabilities</b>                    |       | <b>2 007 937</b> | <b>2 857 037</b> | <b>509 818</b>   | <b>725 406</b>   |
| <b>Total equity and liabilities</b>         |       | <b>3 942 920</b> | <b>5 610 270</b> | <b>1 981 052</b> | <b>2 818 783</b> |

The accompanying notes from 13 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

15 March 2013

## INCOME STATEMENT

|  | Notes | 2012<br>LVL    | 2012<br>EUR      | 2011<br>LVL    | 2011<br>EUR    |
|--|-------|----------------|------------------|----------------|----------------|
| Net turnover   | 23    | 2 195 815      | 3 124 363        | 2 386 790      | 3 396 096      |
| Cost of sales  | 24    | 1 419 164      | 2 019 288        | 1 911 783      | 2 720 222      |
| <b>Gross profit or loss</b>                                |       | <b>776 651</b> | <b>1 105 075</b> | <b>475 007</b> | <b>675 874</b> |
| Sales expenses   | 25    | 63 065         | 89 733           | 103 182        | 146 815        |
| Administrative expenses                                    | 26    | 213 692        | 304 056          | 170 507        | 242 610        |
| Other operating income                                     | 27    | 85 206         | 121 237          | 77 844         | 110 762        |
| Other operating expenses                                   | 28    | 61 101         | 86 939           | 55 463         | 78 917         |
| <b>Profit or loss from operations</b>                      |       | <b>523 999</b> | <b>745 583</b>   | <b>223 699</b> | <b>318 295</b> |
| Other interest receivable and similar income               | 29    | 0              | 0                | 2              | 3              |
| Interest payable and similar expenses                      | 30    | 58 378         | 83 064           | 85 584         | 121 775        |
| <b>Profit or loss before extraordinary items and taxes</b> |       | <b>465 621</b> | <b>662 519</b>   | <b>138 117</b> | <b>196 523</b> |
| Extraordinary income                                       | 31    | 0              | 0                | 29 506         | 41 983         |
| <b>Profit or loss before taxes</b>                         |       | <b>465 621</b> | <b>662 519</b>   | <b>167 623</b> | <b>238 506</b> |
| Other taxes  | 32    | 1 425          | 2 028            | 1 240          | 1 764          |
| <b>Profit or loss of the reporting year</b>                |       | <b>464 196</b> | <b>660 491</b>   | <b>166 383</b> | <b>236 742</b> |
| <b>Earnings (loss) per share (EPS)</b>                     |       | <b>0,928</b>   | <b>1,321</b>     | <b>0,333</b>   | <b>0,473</b>   |

The accompanying notes from 13 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

15 March 2013

**CASH FLOW STATEMENT (indirect method)**

|   | Notes     | 2012<br>LVL     | 2012<br>EUR     | 2011<br>LVL     | 2011<br>EUR     |
|---|-----------|-----------------|-----------------|-----------------|-----------------|
| <b>I Cash flow from operating activities</b>  |           |                 |                 |                 |                 |
| 1 Profit or loss before extraordinary items and taxes   |           | 465 621         | 662 519         | 138 117         | 196 523         |
| <i>Adjustments:</i>   |           |                 |                 |                 |                 |
| a) depreciation costs of tangible assets;   | 4         | 64 916          | 92 367          | 69 940          | 99 516          |
| b) write-offs of intangible assets;   | 3         | 0               | 0               | 14              | 20              |
| c) disposals of tangible assets;  | 4         | 17 035          | 24 239          | -1 115          | -1 587          |
| d) accruals (other than accruals for doubtful debts);   | 16        | -447            | -636            | 8 873           | 12 625          |
| e) profit or loss from foreign currency exchange rate fluctuations;   | 28        | 15 171          | 21 586          | -7 431          | -10 573         |
| f) subsidies, grants, endowments, donations;  | 27        | -19 800         | -28 173         | -16 591         | -23 607         |
| g) other interest receivable and similar income;  | 29        | 0               | 0               | -2              | -3              |
| h) interest payable and similar expenses.   | 30        | 58 378          | 83 064          | 85 584          | 121 775         |
| 2 Profit or loss before corrections of changes in the balances of current assets and short-term liabilities |           | 600 874         | 854 967         | 277 389         | 394 689         |
| <i>Adjustments:</i>   |           |                 |                 |                 |                 |
| a) (increase)/decrease in long-term financial investments;  |           | 2 500           | 3 557           | 352             | 501             |
| b) (increase)/decrease in biological assets;  |           | -1 458 984      | -2 075 947      | 289 334         | 411 685         |
| c) (increase)/decrease in receivables balances;   |           | 506             | 720             | 26 020          | 37 023          |
| d) (increase)/decrease in inventories balances;   |           | -267 009        | -379 920        | 264 772         | 376 737         |
| e) increase/(decrease) in suppliers, contractors and other creditors payables balances.                     |           | 859 365         | 1 222 766       | -641 744        | -913 119        |
| <b>3 Gross cash flow from operating activities</b>  |           | <b>-262 748</b> | <b>-373 857</b> | <b>216 123</b>  | <b>307 515</b>  |
| 4 Interest payable  | 30        | -58 378         | -83 064         | -85 584         | -121 775        |
| 5 Immovable property tax expenses   | 32        | -1 425          | -2 028          | -1 240          | -1 764          |
| <b>6 Cash flow before extraordinary items</b>   |           | <b>-322 551</b> | <b>-458 949</b> | <b>129 299</b>  | <b>183 976</b>  |
| 7 Cash flow from extraordinary items  | 31        | 0               | 0               | 29 506          | 41 983          |
| <b>8 Net cash flow from operating activities</b>  |           | <b>-322 551</b> | <b>-458 949</b> | <b>158 805</b>  | <b>225 959</b>  |
| <b>II. Cash flow from investing activities</b>  |           |                 |                 |                 |                 |
| 1 Additions in tangible and intangible assets   | 3,4       | -46 604         | -66 312         | -31 113         | -44 270         |
| 2 Proceeds obtained from disposal of tangible and intangible assets   | 4         | 5 761           | 8 197           | 1 152           | 1 639           |
| 3 Interest receivable and similar income  | 29        | 0               | 0               | 2               | 3               |
| <b>6 Cash flow from investing activities</b>  |           | <b>-40 843</b>  | <b>-58 114</b>  | <b>-29 959</b>  | <b>-42 628</b>  |
| <b>III. Cash flow from financing activities</b>   |           |                 |                 |                 |                 |
| 1 Loans received  |           | 1 049 110       | 1 492 749       | 80 615          | 114 705         |
| 2 Subsidies, grants, endowments and donations received  | 27        | 19 800          | 28 173          | 16 591          | 23 607          |
| 3 Loans repaid  |           | -410 356        | -583 884        | -288 328        | -410 254        |
| <b>7 Net cash flow from financing activities</b>  |           | <b>658 554</b>  | <b>937 038</b>  | <b>-191 122</b> | <b>-271 942</b> |
| <b>IV. Result of foreign currency exchange rate fluctuation</b>   |           | <b>-15 171</b>  | <b>-21 586</b>  | <b>7 431</b>    | <b>10 573</b>   |
| <b>V. Net cash flow in the reporting year</b>   |           | <b>279 989</b>  | <b>398 388</b>  | <b>-54 845</b>  | <b>-78 037</b>  |
| <b>VI. Cash and its equivalents at the beginning of the reporting year</b>                                  |           | <b>47 320</b>   | <b>67 330</b>   | <b>102 165</b>  | <b>145 368</b>  |
| <b>VII. Cash and its equivalents at the end of the reporting year</b>                                       | <b>14</b> | <b>327 309</b>  | <b>465 719</b>  | <b>47 320</b>   | <b>67 330</b>   |

The accompanying notes from 13 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

15 March 2013

## STATEMENT OF CHANGES IN EQUITY

|   | 2012<br>LVL | 2012<br>EUR | 2011<br>LVL | 2011<br>EUR |
|---|-------------|-------------|-------------|-------------|
| <b>I. Share capital (equity)</b>                                |             |             |             |             |
| 1. Amount in the balance sheet of the previous year             | 500000      | 711436      | 500000      | 711436      |
| 4. Amount in the balance sheet at the end of the reporting year | 500000      | 711436      | 500000      | 711436      |
| <b>V. Reserves</b>  |             |             |             |             |
| 1. Amount in the balance sheet of the previous year             | 54454       | 77481       | 54454       | 77481       |
| 4. Amount in the balance sheet at the end of the reporting year | 54454       | 77481       | 54454       | 77481       |
| <b>VI. Retained earnings</b>                                    |             |             |             |             |
| 1. Amount in the balance sheet of the previous year             | 885459      | 1259895     | 719076      | 1023153     |
| 3. Increase/decrease in retained earnings                       | 464 196     | 660491      | 166 383     | 236742      |
| 4. Amount in the balance sheet at the end of the reporting year | 1 349 655   | 1920386     | 885 459     | 1259895     |
| <b>VII. Equity</b>  |             |             |             |             |
| 1. Amount in the balance sheet of the previous year             | 1439913     | 2048812     | 1273530     | 1812070     |
| 3. Amount in the balance sheet at the end of the reporting year | 1904109     | 2709303     | 1439913     | 2048812     |

The accompanying notes from 13 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

15 March 2013

## 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, comparative indicators are accordingly reclassified.

In order to improve comparability of the data, comparative indicators of Income Statement and complementing comment's classification in annual report section Notes to the Financial Statements have been changed.

Classification have been changed in the following captions:

| Financial information | Initially shown in caption | Reclassified to the caption | Amount, LVL |
|-----------------------|----------------------------|-----------------------------|-------------|
| Income Statement      | Net turnover               | Other operating income      | 49492       |
|                       | Cost of sales              | Other operating expenses    | 48724       |

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
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 expenses 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. Finance lease**

Leased tangible assets are listed in balance-sheet in the value they could be acquired, if immediate payment were made, only in that case, if fixed assets are under finance lease with purchasing rights and all risks and returns associated with these assets have passed to the Company.

#### **V. 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.

#### **VI. 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.

#### **VII. Prepaid expenses**

Expenses, which occurred after reporting date, but are related to subsequent years, shall be shown in the balance-sheet item "Prepaid expenses"

#### **VIII. 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

|                  | <b>31.12.2012.</b> | <b>31.12.2011.</b> |       |
|------------------|--------------------|--------------------|-------|
|                  | (lats)             | (lats)             |       |
| 1 USA dollar     | <b>0,531</b>       | <b>0,544</b>       | (USD) |
| 1 Euro           | <b>0,702804</b>    | <b>0,702804</b>    | (EUR) |
| 1 Lithuanian lit | <b>0,204</b>       | <b>0,204</b>       | (LTL) |
| 1 Danish krone   | <b>0,0942</b>      | <b>0,0945</b>      | (DKK) |
| 1 Russian rouble | <b>0,0174</b>      | <b>0,0170</b>      | (RUB) |

#### **IX. 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.

## **X. 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.

## **XI. 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.

## **XII. 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.

## **XIII 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.

## **XIV. 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.



#### **XV. 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.

#### **XVI. 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.

#### **XVII. Investment properties**

The Company has no investment property.

#### **XVIII. 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.

#### **XIX. 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

|   | 2 012          |                | 2 011          |                |
|---|----------------|----------------|----------------|----------------|
| <b>1. Average number of employees in the reporting year</b>     |                |                |                |                |
| Average number of employees                                     | 82             |                | 84             |                |
| <b>2. Total personnel expenses</b>                              | <b>LVL</b>     | <b>EUR</b>     | <b>LVL</b>     | <b>EUR</b>     |
|   | <b>436 690</b> | <b>621 354</b> | <b>419 534</b> | <b>596 943</b> |
| - salaries  | 352 428        | 501 460        | 338 673        | 481 888        |
| - state social insurance payments                               | 84 262         | 119 894        | 80 861         | 115 055        |
| - including:  |                |                |                |                |
| Remuneration of employees engaged in production (core activity) |                |                |                |                |
| - salaries  | 263 484        | 374 904        | 257 866        | 366 910        |
| - state social insurance payments                               | 63 436         | 90 261         | 63 864         | 90 870         |
| - <b>total</b>  | <b>326 920</b> | <b>465 165</b> | <b>321 730</b> | <b>457 781</b> |
| Remuneration of administration                                  |                |                |                |                |
| - salaries  | 88 944         | 126 556        | 80 807         | 114 978        |
| - state social insurance payments                               | 20 826         | 29 633         | 16 997         | 24 185         |
| - <b>total</b>  | <b>109 770</b> | <b>156 189</b> | <b>97 804</b>  | <b>139 163</b> |
| including Reward to the Council                                 |                |                |                |                |
| - reward  | 18 000         | 25 612         | 18 005         | 25 619         |
| - state social insurance payments                               | 4 218          | 6 002          | 4 203          | 5 980          |
| - <b>total</b>  | <b>22 218</b>  | <b>31 613</b>  | <b>22 208</b>  | <b>31 599</b>  |
| including Reward to the Board                                   |                |                |                |                |
| - salary for the board member duties                            | 35 169         | 50 041         | 15 722         | 22 370         |
| - salary for the professional duties                            | 19 906         | 28 324         | 17 045         | 24 253         |
| - state social insurance payments                               | 13 268         | 18 879         | 7 894          | 11 232         |
| - <b>total</b>  | <b>68 343</b>  | <b>97 243</b>  | <b>40 661</b>  | <b>57 855</b>  |

**NOTES TO FINANCIAL STATEMENTS (continued)**

**NOTES TO THE BALANCE SHEET**

**3. Statement of intangible assets flow**

|                                       | Company's<br>development<br>expenses | Concessions, patents, licences, trade marks<br>and similar rights, incl. | Other<br>intangible<br>assets | Goodwill | Advance<br>payments | Total<br>intangible<br>assets |
|---------------------------------------|--------------------------------------|--|-------------------------------|----------|---------------------|-------------------------------|
| computer software                     |                                      |  |                               |          |                     |                               |
|                                       | LVL                                  | LVL  | LVL                           | LVL      | LVL                 | LVL                           |
| Purchase value as at 31.12.2010.      |                                      |  | 1 937                         |          |                     | 1 937                         |
| Purchase (+)                          |                                      |  | 0                             |          |                     | 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<br>development<br>expenses | Concessions, patents, licences, trade marks<br>and similar rights, incl. | Other<br>intangible<br>assets | Goodwill | Advance<br>payments | Total<br>intangible<br>assets |
|---------------------------------------|--------------------------------------|--|-------------------------------|----------|---------------------|-------------------------------|
| computer software                     |                                      |  |                               |          |                     |                               |
|                                       | EUR                                  | EUR  | EUR                           | EUR      | EUR                 | EUR                           |
| Purchase value as at 31.12.2010.      |                                      |  | 2 756                         |          |                     | 2 756                         |
| Purchase (+)                          |                                      |  | 0                             |          |                     | 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                             |

  

|                                       | Company's<br>development<br>expenses | Concessions, patents, licences, trade marks<br>and similar rights, incl. | Other<br>intangible<br>assets | Goodwill | Advance<br>payments | Total<br>intangible<br>assets |
|---------------------------------------|--------------------------------------|--|-------------------------------|----------|---------------------|-------------------------------|
| computer software                     |                                      |  |                               |          |                     |                               |
|                                       | LVL                                  | LVL  | LVL                           | LVL      | LVL                 | LVL                           |
| Purchase value as at 31.12.2011.      |                                      |  | 1 637                         |          |                     | 1 637                         |
| Purchase (+)                          |                                      |  | 0                             |          |                     | 0                             |
| Disposal (-)                          |                                      |  | 0                             |          |                     | 0                             |
| Purchase value as at 31.12.2012.      | 0                                    | 0  | 1 637                         | 0        | 0                   | 1 637                         |
| Depreciation as at 31.12.2011.        |                                      |  | 1 637                         |          |                     | 1 637                         |
| Calculated (+)                        |                                      |  | 0                             |          |                     | 0                             |
| Written off (-)                       |                                      |  | 0                             |          |                     | 0                             |
| Depreciation as at 31.12.2012.        | 0                                    | 0  | 1 637                         | 0        | 0                   | 1 637                         |
| Net carrying amount as at 31.12.2011. | 0                                    | 0  | 0                             | 0        | 0                   | 0                             |
| Net carrying amount as at 31.12.2012. | 0                                    | 0  | 0                             | 0        | 0                   | 0                             |

  

|                                       | Company's<br>development<br>expenses | Concessions, patents, licences, trade marks<br>and similar rights, incl. | Other<br>intangible<br>assets | Goodwill | Advance<br>payments | Total<br>intangible<br>assets |
|---------------------------------------|--------------------------------------|--|-------------------------------|----------|---------------------|-------------------------------|
| computer software                     |                                      |  |                               |          |                     |                               |
|                                       | EUR                                  | EUR  | EUR                           | EUR      | EUR                 | EUR                           |
| Purchase value as at 31.12.2011.      |                                      |  | 2 329                         |          |                     | 2 329                         |
| Purchase (+)                          |                                      |  | 0                             |          |                     | 0                             |
| Disposal (-)                          |                                      |  | 0                             |          |                     | 0                             |
| Purchase value as at 31.12.2012.      | 0                                    | 0  | 2 329                         | 0        | 0                   | 2 329                         |
| Depreciation as at 31.12.2011.        |                                      |  | 2 329                         |          |                     | 2 329                         |
| Calculated (+)                        |                                      |  | 0                             |          |                     | 0                             |
| Written off (-)                       |                                      |  | 0                             |          |                     | 0                             |
| Depreciation as at 31.12.2012.        | 0                                    | 0  | 2 329                         | 0        | 0                   | 2 329                         |
| Net carrying amount as at 31.12.2011. | 0                                    | 0  | 0                             | 0        | 0                   | 0                             |
| Net carrying amount as at 31.12.2012. | 0                                    | 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<br>and<br>construction<br>(LVL) | Long-term investm.<br>in rented fixed<br>assets (LVL) | Equipment and<br>machinery (LVL) | Other fixed<br>assets and<br>equipment<br>(LVL) | Construction in<br>progress (LVL) | Advance<br>payments for<br>fixed assets<br>(LVL) | Total (LVL)      |
|---|--|---|----------------------------------|---|-----------------------------------|--|------------------|
| <b>Purchase or revaluated value as at 31.12.2010.</b> | 1 164 972                                      | 0   | 524 003                          | 215 970   | 25 100                            | 0  | <b>1 930 045</b> |
| Purchased in the reporting year (+)                   |  |   | 21 119                           | 9 994   |                                   |  | <b>31 113</b>    |
| Reclassified (+/-)                                    |  |   | -12 124                          | 12 124  |                                   |  | <b>0</b>         |
| Disposed in the reporting year (+/-)                  |  |   |                                  | -21 685   |                                   |  | <b>-21 685</b>   |
| <b>Purchase or revaluated value as at 31.12.2011.</b> | 1 164 972                                      | 0   | 532 998                          | 216 403   | 25 100                            | 0  | <b>1 939 473</b> |
| <b>Accumulated depreciation as at 31.12.2010.</b>     | 779 289  | 0   | 412 204                          | 148 187   | 0                                 | 0  | <b>1 339 680</b> |
| Calculated in the reporting year (+)                  | 29 769   |   | 19 230                           | 20 941  |                                   |  | <b>69 940</b>    |
| Reclassified (+/-)                                    |  |   | -1 012                           | 1 012   |                                   |  | <b>0</b>         |
| Disposed in the reporting year (-)                    |  |   |                                  | -21 648   |                                   |  | <b>-21 648</b>   |
| <b>Accumulated depreciation as at 31.12.2011.</b>     | 809 058  | 0   | 430 422                          | 148 492   | 0                                 | 0  | <b>1 387 972</b> |
| <b>Net carrying amount as at 31.12.2010.</b>          | <b>385 683</b>                                 | <b>0</b>  | <b>111 799</b>                   | <b>67 783</b>                                   | <b>25 100</b>                     | <b>0</b>   | <b>590 365</b>   |
| <b>Net carrying amount as at 31.12.2011.</b>          | <b>355 914</b>                                 | <b>0</b>  | <b>102 576</b>                   | <b>67 911</b>                                   | <b>25 100</b>                     | <b>0</b>   | <b>551 501</b>   |
|   | Land, building<br>and<br>construction<br>(EUR) | Long-term investm.<br>in rented fixed<br>assets (EUR) | Equipment and<br>machinery (EUR) | Other fixed<br>assets and<br>equipment<br>(EUR) | Construction in<br>progress (EUR) | Advance<br>payments for<br>fixed assets<br>(EUR) | Total (EUR)      |
| <b>Purchase or revaluated value as at 31.12.2010.</b> | 1 657 606                                      | 0   | 745 589                          | 307 298   | 35 714                            | 0  | <b>2 746 207</b> |
| Purchased in the reporting year (+)                   |  |   | 30 050                           | 14 220  |                                   |  | <b>44 270</b>    |
| Reclassified (+/-)                                    |  |   | -17 251                          | 17 251  |                                   |  | <b>0</b>         |
| Disposed in the reporting year (+/-)                  |  |   | 0                                | -30 855   |                                   |  | <b>-30 855</b>   |
| <b>Purchase or revaluated value as at 31.12.2011.</b> | 1 657 606                                      | 0   | 758 388                          | 307 914   | 35 714                            | 0  | <b>2 759 621</b> |
| <b>Accumulated depreciation as at 31.12.2010.</b>     | 1 108 828                                      | 0   | 586 513                          | 210 851   | 0                                 | 0  | <b>1 906 193</b> |
| Calculated in the reporting year (+)                  | 42 357   |   | 27 362                           | 29 796  |                                   |  | <b>99 516</b>    |
| Reclassified (+/-)                                    | 0  |   | -1 440                           | 1 440   |                                   |  | <b>0</b>         |
| Disposed in the reporting year (-)                    | 0  |   | 0                                | -30 802   |                                   |  | <b>-30 802</b>   |
| <b>Accumulated depreciation as at 31.12.2011.</b>     | 1 151 186                                      | 0   | 612 435                          | 211 285   | 0                                 | 0  | <b>1 974 906</b> |
| <b>Net carrying amount as at 31.12.2010.</b>          | <b>548 777</b>                                 | <b>0</b>  | <b>159 076</b>                   | <b>96 447</b>                                   | <b>35 714</b>                     | <b>0</b>   | <b>840 014</b>   |
| <b>Net carrying amount as at 31.12.2011.</b>          | <b>506 420</b>                                 | <b>0</b>  | <b>145 952</b>                   | <b>96 629</b>                                   | <b>35 714</b>                     | <b>0</b>   | <b>784 715</b>   |

**NOTES TO FINANCIAL STATEMENTS (continued)**  
**NOTES TO THE BALANCE SHEET**

**4. Statement of tangible assets and investment property flow**

|   | Land, building<br>and<br>construction<br>(LVL) | Long-term investm.<br>in rented fixed<br>assets (LVL) | Equipment and<br>machinery (LVL) | Other fixed<br>assets and<br>equipment<br>(LVL) | Construction in<br>progress (LVL) | Advance<br>payments for<br>fixed assets<br>(LVL) | Total (LVL)      |
|---|--|---|----------------------------------|---|-----------------------------------|--|------------------|
| <b>Purchase or revaluated value as at 31.12.2011</b>  | 1 164 972                                      | 0   | 532 998                          | 216 403   | 25 100                            | 0  | <b>1 939 473</b> |
| Purchased in the reporting year (+)                   |  |   | 1 332                            | 29 439  | 15 833                            |  | <b>46 604</b>    |
| Disposed in the reporting year (+/-)                  |  |   |                                  | -13 553   | -13 761                           |  | <b>-27 314</b>   |
| <b>Purchase or revaluated value as at 31.12.2012.</b> | 1 164 972                                      | 0   | 534 330                          | 232 289   | 27 172                            | 0  | <b>1 958 763</b> |
| <b>Accumulated depreciation as at 31.12.2011.</b>     | 809 058  | 0   | 430 422                          | 148 492   | 0                                 | 0  | <b>1 387 972</b> |
| Calculated in the reporting year (+)                  | 29 664   |   | 17 337                           | 17 915  |                                   |  | <b>64 916</b>    |
| Disposed in the reporting year (-)                    |  |   |                                  | -4 518  |                                   |  | <b>-4 518</b>    |
| <b>Accumulated depreciation as at 31.12.2012.</b>     | 838 722  | 0   | 447 759                          | 161 889   | 0                                 | 0  | <b>1 448 370</b> |
| <b>Net carrying amount as at 31.12.2011.</b>          | <b>355 914</b>                                 | <b>0</b>  | <b>102 576</b>                   | <b>67 911</b>                                   | <b>25 100</b>                     | <b>0</b>   | <b>551 501</b>   |
| <b>Net carrying amount as at 31.12.2012.</b>          | <b>326 250</b>                                 | <b>0</b>  | <b>86 571</b>                    | <b>70 400</b>                                   | <b>27 172</b>                     | <b>0</b>   | <b>510 393</b>   |
|   | Land, building<br>and<br>construction<br>(EUR) | Long-term investm.<br>in rented fixed<br>assets (EUR) | Equipment and<br>machinery (EUR) | Other fixed<br>assets and<br>equipment<br>(EUR) | Construction in<br>progress (EUR) | Advance<br>payments for<br>fixed assets<br>(EUR) | Total (EUR)      |
| <b>Purchase or revaluated value as at 31.12.2011</b>  | 1 657 606                                      | 0   | 758 388                          | 307 914   | 35 714                            | 0  | <b>2 759 621</b> |
| Purchased in the reporting year (+)                   |  |   | 1 895                            | 41 888  | 22 528                            |  | <b>66 312</b>    |
| Disposed in the reporting year (-)                    |  |   |                                  | -19 284   | -19 580                           |  | <b>-38 864</b>   |
| <b>Purchase or revaluated value as at 31.12.2012.</b> | 1 657 606                                      | 0   | 760 283                          | 330 517   | 38 662                            | 0  | <b>2 787 069</b> |
| <b>Accumulated depreciation as at 31.12.2011.</b>     | 1 151 186                                      | 0   | 612 435                          | 211 285   | 0                                 | 0  | <b>1 974 906</b> |
| Calculated in the reporting year (+)                  | 42 208   |   | 24 668                           | 25 491  |                                   |  | <b>92 367</b>    |
| Disposed in the reporting year (-)                    |  |   |                                  | -6 429  |                                   |  | <b>-6 429</b>    |
| <b>Accumulated depreciation as at 31.12.2012.</b>     | 1 193 394                                      | 0   | 637 104                          | 230 347   | 0                                 | 0  | <b>2 060 845</b> |
| <b>Net carrying amount as at 31.12.2011.</b>          | <b>506 420</b>                                 | <b>0</b>  | <b>145 952</b>                   | <b>96 629</b>                                   | <b>35 714</b>                     | <b>0</b>   | <b>784 715</b>   |
| <b>Net carrying amount as at 31.12.2012.</b>          | <b>464 212</b>                                 | <b>0</b>  | <b>123 179</b>                   | <b>100 170</b>                                  | <b>38 662</b>                     | <b>0</b>   | <b>726 224</b>   |

**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 |
|----------------------------------|-------------------|-------------------------|--------------------|
| <i>Land</i>                      | 64600140090 (LVL) | 34 678                  | 81 937             |
|                                  | 64600140090(EUR)  | 49 342                  | 116 586            |
| <i>Building and construction</i> | 64600140091 (LVL) | 59 917                  | 244 313            |
|                                  | 64600140091 (EUR) | 85 254                  | 347 626            |

**Result of written-off, eliminated and disposed tangible assets:**

|  | 31.12.2012.<br>LVL | 31.12.2012.<br>EUR | 31.12.2011.<br>LVL | 31.12.2011.<br>EUR |
|--|--------------------|--------------------|--------------------|--------------------|
| Purchase value   | 27 314             | 38 864             | 21 685             | 30 855             |
| Accumulated depreciation (-)   | 4 518              | 6 429              | 21 648             | 30 802             |
| Net carrying amount  | 22 796             | 32 436             | 37                 | 53                 |
| Spare parts, materials and proceeds obtained from disposal of fixed assets (+) | 5 761              | 8 197              | 1 152              | 1 639              |
| Profit (+) or loss (-) from disposal of fixed assets                           | -17 035            | -24 239            | 1 115              | 1 587              |

**Depreciation of fixed assets and write-off of intangible assets value for tax purposes (Law on Enterprise Income Tax, Section 13)**

|              | Residual value<br>as at<br>31.12.2011.<br>LVL | Purchased in 2012<br>LVL | Residual value of<br>disposed fixed asset<br>LVL | Value for<br>depreciation<br>calculation<br>LVL | Rate<br>LVL | Depreciation<br>LVL | Residual value<br>as at<br>31.12.2012.<br>LVL |
|--------------|---|--------------------------|--|---|-------------|---------------------|---|
| Group I      | 203 385                                       | 0                        | 0  | 203 385   | 10%         | 20339               | 183 047                                       |
| Group III    | 333   | 1 275                    | 0  | 1 608   | 70%         | 1126                | 482   |
| Group IV     | 58 827  | 3 635                    | 0  | 62 462  | 40%         | 24985               | 37 477  |
| Group IV     | 6 641   | 25 861                   | 9 035  | 23 467  | 30%         | 7040                | 16 427  |
| <b>Total</b> | <b>269 186</b>                                | <b>30 771</b>            | <b>9 035</b>                                     | <b>290 922</b>                                  |             | <b>53 489</b>       | <b>237 433</b>                                |

  

|              | Residual value<br>as at<br>31.12.2011.<br>EUR | Purchased in 2012<br>EUR | Residual value of<br>disposed fixed asset<br>EUR | Value for<br>depreciation<br>calculation<br>EUR | Rate<br>EUR | Depreciation<br>EUR | Residual value<br>as at<br>31.12.2012.<br>EUR |
|--------------|---|--------------------------|--|---|-------------|---------------------|---|
| Group I      | 289 391                                       | 0                        | 0  | 289 391   | 10%         | 28939               | 260 452                                       |
| Group III    | 474   | 1 814                    | 0  | 2 288   | 70%         | 1602                | 686   |
| Group IV     | 83 703  | 5 172                    | 0  | 88 875  | 40%         | 35550               | 53 325  |
| Group IV     | 9 449   | 36 797                   | 12 856   | 33 391  | 30%         | 10017               | 23 373  |
| <b>Total</b> | <b>383 017</b>                                | <b>43 783</b>            | <b>12 856</b>                                    | <b>413 945</b>                                  |             | <b>76 108</b>       | <b>337 837</b>                                |

**5. Biological assets**

|  | 31.12.2012.<br>LVL | 31.12.2012.<br>EUR | 31.12.2011.<br>LVL | 31.12.2011.<br>EUR |
|--|--------------------|--------------------|--------------------|--------------------|
| <b>Residual value at the beginning of the year</b> | <b>312 045</b>     | <b>444 000</b>     | <b>601 379</b>     | <b>855 685</b>     |
| Purchased breeding animals                         | 1 389 541          | 1 977 139          | 0                  | 0                  |
| Increase in value due to reproduction (+)          | 1 292 263          | 1 838 725          | 873 650            | 1 243 092          |
| Decrease in value due to degeneration (-)          | -46 012            | -65 469            | -35 416            | -50 392            |
| Decrease due to finished production (-)            | -1 176 808         | -1 674 447         | -1 439 613         | -2 048 385         |
| Advance payments for breeding animals              | 0                  | 0                  | 312 045            | 444 000            |
| <b>Residual value at the end of the year</b>       | <b>1 771 029</b>   | <b>2 519 947</b>   | <b>312 045</b>     | <b>444 000</b>     |

**6. Long-term financial investments**

| Item         | 31.12.2012. |          |          | 31.12.2011.  |              |              |
|--------------|-------------|----------|----------|--------------|--------------|--------------|
|              | Amount      | LVL      | EUR      | Amount       | LVL          | EUR          |
| Own shares   | 0           | 0        | 0        | 2 500        | 2 500        | 3 557        |
| <b>Total</b> | <b>0</b>    | <b>0</b> | <b>0</b> | <b>2 500</b> | <b>2 500</b> | <b>3 557</b> |

**NOTES TO FINANCIAL STATEMENTS (continued)**

**NOTES TO THE BALANCE SHEET**

**7. Raw materials and consumables**

|                  | 31.12.2012.<br>LVL | 31.12.2012.<br>EUR | 31.12.2011.<br>LVL | 31.12.2011.<br>EUR |
|------------------|--------------------|--------------------|--------------------|--------------------|
| Forage           | 93 261             | 132 698            | 1 976              | 2 812              |
| Medication       | 13 047             | 18 564             | 11 887             | 16 914             |
| Fuel for heating | 19 491             | 27 733             | 11 519             | 16 390             |
| Repair materials | 561                | 798                | 819                | 1 165              |
| Fuel, gas        | 89                 | 127                | 724                | 1 030              |
| <b>Total</b>     | <b>126 449</b>     | <b>179 921</b>     | <b>26 925</b>      | <b>38 311</b>      |

**8. Unfinished production**

|                | 31.12.2012.<br>LVL | 31.12.2012.<br>EUR | 31.12.2011.<br>LVL | 31.12.2011.<br>EUR |
|----------------|--------------------|--------------------|--------------------|--------------------|
| Raw mink skins | 1 212              | 1 725              | 0                  | 0                  |
| <b>Total</b>   | <b>1 212</b>       | <b>1 725</b>       | <b>0</b>           | <b>0</b>           |

**9. Finished production and goods for sale**

|                | 31.12.2012.<br>LVL | 31.12.2012.<br>EUR | 31.12.2011.<br>LVL | 31.12.2011.<br>EUR |
|----------------|--------------------|--------------------|--------------------|--------------------|
| Mink skins     | 1 149 399          | 1 635 447          | 978 398            | 1 392 135          |
| Fox skins      | 36                 | 51                 | 99                 | 141                |
| Finished goods | 1 527              | 2 173              | 5 501              | 7 827              |
| <b>Total</b>   | <b>1 150 962</b>   | <b>1 637 671</b>   | <b>983 998</b>     | <b>1 400 103</b>   |

**10. Prepayments for goods**

|                                  | 31.12.2012.<br>LVL | 31.12.2012.<br>EUR | 31.12.2011.<br>LVL | 31.12.2011.<br>EUR |
|----------------------------------|--------------------|--------------------|--------------------|--------------------|
| Prepayment for forage, materials | 0                  | 0                  | 691                | 983                |
| <b>Total</b>                     | <b>0</b>           | <b>0</b>           | <b>691</b>         | <b>983</b>         |

**11. Trade receivables**

|  | 31.12.2012.<br>LVL | 31.12.2012.<br>EUR | 31.12.2011.<br>LVL | 31.12.2011.<br>EUR |
|--|--------------------|--------------------|--------------------|--------------------|
| Carrying amount of trade receivables   | 10 850             | 15 438             | 34 861             | 49 603             |
| Allowance for doubtful receivables (-) | 0                  | 0                  | -3 956             | -5 629             |
| <b>Net trade receivables</b>           | <b>10 850</b>      | <b>15 438</b>      | <b>30 905</b>      | <b>43 974</b>      |

Doubtful debts, which in previous years have been 100% provided, in reporting year were disposed in amount of LVL 3 956.

**12. Other receivables**

|  | 31.12.2012.<br>LVL | 31.12.2012.<br>EUR | 31.12.2011.<br>LVL | 31.12.2011.<br>EUR |
|--|--------------------|--------------------|--------------------|--------------------|
| Overpaid taxes to the budget or tax advances | 20 528             | 29 209             | 12 597             | 17 924             |
| Advance person's debt settlement             | 1 597              | 2 272              | 1 597              | 2 272              |
| Allowance for doubtful receivables           | -1 597             | -2 272             | -1 597             | -2 272             |
| Payables for services rendered               | 3 745              | 5 329              | 4 644              | 6 608              |
| Advance payments for services                | 15 293             | 21 760             | 5 779              | 8 223              |
| <b>Total</b>                                 | <b>39 566</b>      | <b>56 297</b>      | <b>23 020</b>      | <b>32 755</b>      |

**13. Prepaid expenses**

|                         | 31.12.2012.<br>LVL | 31.12.2012.<br>EUR | 31.12.2011.<br>LVL | 31.12.2011.<br>EUR |
|-------------------------|--------------------|--------------------|--------------------|--------------------|
| Advertising in catalogs | 503                | 716                | 463                | 659                |
| Press subscription      | 0                  | 0                  | 107                | 152                |
| Insurance               | 3 009              | 4 281              | 1 577              | 2 244              |
| Employee training       | 1 638              | 2 331              | 0                  | 0                  |
| <b>Total</b>            | <b>5 150</b>       | <b>7 328</b>       | <b>2 147</b>       | <b>3 055</b>       |

**14. Cash**

|              | 31.12.2012.<br>LVL | 31.12.2012.<br>EUR | 31.12.2011.<br>LVL | 31.12.2011.<br>EUR |
|--------------|--------------------|--------------------|--------------------|--------------------|
| Cash on hand | 883                | 1 256              | 1 386              | 1 972              |
| Cash in bank | 326 426            | 464 462            | 45 934             | 65 358             |
| <b>Total</b> | <b>327 309</b>     | <b>465 719</b>     | <b>47 320</b>      | <b>67 330</b>      |

**NOTES TO FINANCIAL STATEMENTS (continued)**

**NOTES TO THE BALANCE SHEET**

**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.

On the 31th of December 2012 500 000 bearer's shares were publicly traded. On the 31th December 2011 publicly traded share amount was 497 500 shares. Till February 2012 2 500 shares with no voting rights were owned by the Company. 2 500 shares owned by the Company were put into public circulation in February 2012.

| Class of shares                                      | 31.12.2012. |                  |         | 31.12.2011. |                  |         |
|--|-------------|------------------|---------|-------------|------------------|---------|
|  | % of equity | Number of shares |         | % of equity | Number of shares |         |
|  |             | LVL              | EUR     |             | LVL              | EUR     |
| Bearer's shares with voting rights - publicly traded | 100%        | 500 000          | 711 436 | 99,5%       | 497 500          | 707 879 |
| Bearer's shares without voting rights                | 0%          | 0                | 0       | 0,5%        | 2 500            | 3 557   |
|  | 100%        | 500 000          | 711 436 | 100%        | 500 000          | 711 436 |

**List of shareholders and their position held in the Company on 15 March 2013**

| Shareholders        | Position held in the Company | % from share capital |
|---------------------|------------------------------|----------------------|
| Aksana Jansone      | Not applicable               | 41,27%               |
| Gundars Jaunsleinis | Chairman of the Board        | 25,75%               |
| Argita Jaunsleine   | Member of the Council        | 23,98%               |
| Other shareholders  | x                            | 9,00%                |
| <b>Total:</b>       | <b>x</b>                     | <b>100%</b>          |

**Information about limitations concerning share expropriation rights**

Restrictions for expropriation of shares or specific consent reception for shares disposal have not been set.

**Shareholders' rights and agreements**

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 Company does not possess any information about agreements between shareholders.

**Powers of the Board Members and special agreements**

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

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

**Regulations of Board members elections and Statute amendments**

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 elections of Board members and Statute amendments.

**16. Provisions**

|   | 31.12.2012.<br>LVL | 31.12.2012.<br>EUR | 31.12.2011.<br>LVL | 31.12.2011.<br>EUR |
|---|--------------------|--------------------|--------------------|--------------------|
| Provisions for leaves in the beginning of the year  | 31 321             | 44 566             | 22 448             | 31 941             |
| Increase / (decrease)                               | -447               | -636               | 8 873              | 12 625             |
| <b>Provisions for leaves at the end of the year</b> | <b>30 874</b>      | <b>43 930</b>      | <b>31 321</b>      | <b>44 566</b>      |

**17. Loans from credit institutions (total)**

| Name of credit institution, loan terms | Maturity     | Rate                    | 31.12.2012.<br>LVL | 31.12.2012.<br>EUR | 31.12.2011.<br>LVL | 31.12.2011.<br>EUR |
|--|--------------|-------------------------|--------------------|--------------------|--------------------|--------------------|
| Ge Money Bank                          | March 2015   | 4,62%                   | 0                  | 0                  | 163 426            | 232 534            |
| ABLV Bank                              | Oktober 2014 | 6 M EURIBOR<br>EUR + 5% | 898 535            | 1 278 500          | 0                  | 0                  |
| Nordea Bank Finland Plc                | January 2013 | overdraft               | 1                  | 1                  | 0                  | 0                  |
| <b>Total</b>                           |              | <b>0</b>                | <b>898 536</b>     | <b>1 278 501</b>   | <b>163 426</b>     | <b>232 534</b>     |

Liabilities to JSC "ABLV Bank" are ensured with first round mortgage on whole Company's estate property, first round commerce pledge on Company's tangible assets, second round commerce pledge on inventories and animal herd and financial pledge on Company's financial assets, which are kept in JSC "GROBIŅA" bank account in JSC "ABLV Bank" bank.



**NOTES TO FINANCIAL STATEMENTS (continued)**

**NOTES TO THE BALANCE SHEET**

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

Long-term:

from 2 to 5 years

Total long-term:

Short-term:

**Total**

| 31.12.2012.<br>LVL | 31.12.2012.<br>EUR | 31.12.2011.<br>LVL | 31.12.2011.<br>EUR |
|--------------------|--------------------|--------------------|--------------------|
| 449 443            | 639 500            | 108 818            | 154 834            |
| 449 443            | 639 500            | 108 818            | 154 834            |
| 449 093            | 639 002            | 54 608             | 77 700             |
| <b>898 536</b>     | <b>1 278 502</b>   | <b>163 426</b>     | <b>232 534</b>     |

**18. Other loans (total)**

Loan from non-resident private person in USA dollars

Accrued interest under the loan agreement 2%.

Interest rate 4% under the agreement in 2011

SIA Nordea Finance Latvia leasing agreement

**Total**

| 31.12.2012.<br>LVL | 31.12.2012.<br>EUR | 31.12.2011.<br>LVL | 31.12.2011.<br>EUR |
|--------------------|--------------------|--------------------|--------------------|
| 0                  | 0                  | 54 400             | 77 404             |
| 0                  | 0                  | 63 544             | 90 415             |
| 21 588             | 30 717             | 0                  | 0                  |
| <b>21 588</b>      | <b>30 717</b>      | <b>117 944</b>     | <b>167 819</b>     |

Company's liabilities to SIA Nordea Finance Latvia are ensured with leasing object car

**Long-term and short-term parts of other loans**

Long-term:

from 2 to 5 years

**Total long-term:**

Short-term:

**Total short-term:**

**Total**

| 31.12.2012.<br>LVL | 31.12.2012.<br>EUR | 31.12.2011.<br>LVL | 31.12.2011.<br>EUR |
|--------------------|--------------------|--------------------|--------------------|
| 13 196             | 18 776             | 0                  | 0                  |
| <b>13 196</b>      | <b>18 776</b>      | <b>0</b>           | <b>0</b>           |
| 8 392              | 11 941             | 117 944            | 167 819            |
| <b>8 392</b>       | <b>11 941</b>      | <b>117 944</b>     | <b>167 819</b>     |
| <b>21 588</b>      | <b>30 717</b>      | <b>117 944</b>     | <b>167 819</b>     |

**19. Prepayments received from customers**

**Interest rates**

Prepayments received from customers (auction houses)

3,75%

**Total**

| 31.12.2012.<br>LVL | 31.12.2012.<br>EUR | 31.12.2011.<br>LVL | 31.12.2011.<br>EUR |
|--------------------|--------------------|--------------------|--------------------|
| 846 139            | 1 203 947          | 159 242            | 226 581            |
| <b>846 139</b>     | <b>1 203 947</b>   | <b>159 242</b>     | <b>226 581</b>     |

Company has pledged inventories and animal herd to ensure advance payments from Saga Furs Oyj for fur pups and fur skins from growing season 2011/2012 - 2013/2014. Pledge have ben registered as a first round commercial pledge.

**20. Taxes and state social insurance payables**

State social insurance payments

Personal income tax

Unemployment risk duty

Company car tax

**Total**

| 31.12.2012.<br>LVL | 31.12.2012.<br>EUR | 31.12.2011.<br>LVL | 31.12.2011.<br>EUR |
|--------------------|--------------------|--------------------|--------------------|
| 13 428             | 19 106             | 9 252              | 13 164             |
| 14 380             | 20 461             | 4 708              | 6 699              |
| 20                 | 28                 | 22                 | 31                 |
| 133                | 189                | 0                  | 0                  |
| <b>27 961</b>      | <b>39 785</b>      | <b>13 982</b>      | <b>19 895</b>      |

**NOTES TO FINANCIAL STATEMENTS (continued)**

**NOTES TO THE BALANCE SHEET**

**Tax and duty obligations flow in 2012**

|                                 | Balance as at<br>31.12.2011. | Calculated in<br>2012 | Penalty un 2012 | Paid in 2012  | Repaid in 2012 | Deflection to<br>other taxes | Balance as at<br>31.12.2012. |
|---------------------------------|------------------------------|-----------------------|-----------------|---------------|----------------|------------------------------|------------------------------|
|                                 | LVL                          | LVL                   | LVL             | LVL           | LVL            | LVL                          | LVL                          |
| State social insurance payments | 9 252                        | 122 738               | 102             | 12 201        | 0              | 106 463                      | 13 428                       |
| Personal income tax             | 4 708                        | 68 096                | 710             | 29 656        | 0              | 29 478                       | 14 380                       |
| Value added tax                 | -11 403                      | -236 206              | 1               |               | -91 801        | -135 941                     | -19 866                      |
| Immovable property tax          | 0                            | 1 425                 | 0               | 1 425         | 0              | 0                            | 0                            |
| Natural resources tax           | -1 194                       | 532                   | 0               |               | 0              | 0                            | -662                         |
| Company car tax                 | 0                            | 313                   | 0               | 180           | 0              | 0                            | 133                          |
| Unemployment risk duty          | 22                           | 240                   | 0               | 242           | 0              | 0                            | 20                           |
| <b>Total</b>                    | <b>1 385</b>                 | <b>-42 862</b>        | <b>813</b>      | <b>43 704</b> | <b>-91 801</b> | <b>0</b>                     | <b>7 433</b>                 |

including:

|                             |                |                |
|-----------------------------|----------------|----------------|
| <b>Taxes receivable (-)</b> | <b>-12 597</b> | <b>-20 528</b> |
| <b>Taxes payable (+)</b>    | <b>13 982</b>  | <b>27 961</b>  |

Taxes receivable as at 31.12.2012. in the amount of LVL 20528 are shown in the item "Other receivables"

|                                 | Balance as at<br>31.12.2011. | Calculated in<br>2012 | Penalty un 2012 | Paid in 2012  | Repaid in 2012  | Deflection to<br>other taxes | Balance as at<br>31.12.2012. |
|---------------------------------|------------------------------|-----------------------|-----------------|---------------|-----------------|------------------------------|------------------------------|
|                                 | EUR                          | EUR                   | EUR             | EUR           | EUR             | EUR                          | EUR                          |
| State social insurance payments | 13 164                       | 174 640               | 145             | 17 360        | 0               | 0                            | 19 106                       |
| Personal income tax             | 6 699                        | 96 892                | 1 010           | 42 197        | 0               | 0                            | 20 461                       |
| Value added tax                 | -16 225                      | -336 091              | 1               | 0             | -130 621        | 0                            | -28 267                      |
| Immovable property tax          | 0                            | 2 028                 | 0               | 2 028         | 0               | 0                            | 0                            |
| Natural resources tax           | -1 699                       | 757                   | 0               | 0             | 0               | 0                            | -942                         |
| Company car tax                 | 0                            | 445                   | 0               | 256           | 0               | 0                            | 189                          |
| Unemployment risk duty          | 31                           | 341                   | 0               | 344           | 0               | 0                            | 28                           |
| <b>Total</b>                    | <b>1 971</b>                 | <b>-60 987</b>        | <b>1 157</b>    | <b>62 185</b> | <b>-130 621</b> | <b>0</b>                     | <b>10 576</b>                |

including:

|                             |                |                |
|-----------------------------|----------------|----------------|
| <b>Taxes receivable (-)</b> | <b>-17 924</b> | <b>-29 209</b> |
| <b>Taxes payable (+)</b>    | <b>19 895</b>  | <b>39 785</b>  |

Taxes receivable as at 31.12.2012. in the amount of EUR 29 209 are shown in the item "Other receivables"

**21. Other payables**

|  | 31.12.2012.<br>LVL | 31.12.2012.<br>EUR | 31.12.2011.<br>LVL | 31.12.2011.<br>EUR |
|--|--------------------|--------------------|--------------------|--------------------|
| Wages and salaries                         | 20 215             | 28 763             | 13 270             | 18 882             |
| Deductions from wages and salaries         | 516                | 734                | 192                | 273                |
| Deposited salary, compensation for damages | 665                | 946                | 621                | 884                |
| Advance person's debt settlement           | 26                 | 37                 | 38                 | 54                 |
| <b>Total</b>                               | <b>21 422</b>      | <b>30 481</b>      | <b>14 121</b>      | <b>20 092</b>      |

**22. Accrued liabilities**

|  | 31.12.2012.<br>LVL | 31.12.2012.<br>EUR | 31.12.2011.<br>LVL | 31.12.2011.<br>EUR |
|--|--------------------|--------------------|--------------------|--------------------|
| Communication expenses in December                         | 141                | 201                | 114                | 162                |
| Fees for sworn auditors company for audit of annual report | 1 250              | 1 779              | 1 650              | 2 348              |
| Electricity in December                                    | 8 384              | 11 929             | 5 186              | 7 379              |
| Transport expenses   | 195                | 277                | 0                  | 0                  |
| Services in December                                       | 3 350              | 4 767              | 131                | 186                |
| <b>Total</b>   | <b>13 320</b>      | <b>18 953</b>      | <b>7 081</b>       | <b>10 075</b>      |

**NOTES TO FINANCIAL STATEMENTS (continued)**  
**NOTES TO THE INCOME STATEMENT**

**23. Net turnover**

Revenue from mink skins sales  
Revenue from silver fox skins  
Revenue from polar fox skins  
Revenue from fur products

**Total**

| 31.12.2012.      | 31.12.2012.      | 31.12.2011.      | 31.12.2011.      |
|------------------|------------------|------------------|------------------|
| LVL              | EUR              | LVL              | EUR              |
| 2 191 928        | 3 118 833        | 2 373 446        | 3 377 109        |
| 34               | 48               | 12 732           | 18 116           |
| 41               | 58               | 612              | 871              |
| 3 812            | 5 424            | 0                | 0                |
| <b>2 195 815</b> | <b>3 124 363</b> | <b>2 386 790</b> | <b>3 396 096</b> |

**23a. Net turnover by geographical segments**

Latvia  
Finland  
Denmark  
Lithuania  
Ukraine  
Greece  
Morocco

**Total**

|                  |                  |                  |                  |
|------------------|------------------|------------------|------------------|
| 15 576           | 22 163           | 7 190            | 10 230           |
| 2 170 019        | 3 087 659        | 2 332 478        | 3 318 817        |
| 0                | 0                | 3 087            | 4 392            |
| 1 252            | 1 781            | 10 168           | 14 468           |
| 0                | 0                | 33 241           | 47 298           |
| 8 968            | 12 760           | 0                | 0                |
| 0                | 0                | 626              | 891              |
| <b>2 195 815</b> | <b>3 124 363</b> | <b>2 386 790</b> | <b>3 396 096</b> |

**24. Cost of sales**

Forage  
Medication  
Wages and salaries  
State social insurance payments, unemployment risk duty  
Depreciation  
Electricity costs  
Security costs  
Equipment maintenance services  
Insurance costs  
Chips for treatment  
Utilization and other expenses  
Dry waste  
Natural resources tax  
Staff training, business trip expenses  
Fuel, gas  
Fuel for heating, chips  
Repair materials  
Current repairs services  
Various services (transport expenses etc.)  
Provisions for leaves and state social insurance payments  
Cost of the fallen animals (prime cost)

*Total prime cost of animals and skins*

Prime cost of the sold fur skins and products in the reporting year  
Prime cost turnover of grown fur animals and processed skins in reporting year

**Total**

| 31.12.2012.                                  | 31.12.2012.      | 31.12.2011.      | 31.12.2011.      |
|--|------------------|------------------|------------------|
| LVL  | EUR              | LVL              | EUR              |
| 964 285                                      | 1 372 054        | 408 731          | 581 572          |
| 94 378                                       | 134 288          | 65 085           | 92 608           |
| 263 484                                      | 374 904          | 257 866          | 366 910          |
| 63 659                                       | 90 579           | 64 092           | 91 195           |
| 61 866                                       | 88 027           | 66 677           | 94 873           |
| 81 341                                       | 115 738          | 81 013           | 115 271          |
| 1 194  | 1 699            | 1 391            | 1 979            |
| 20 250                                       | 28 813           | 16 231           | 23 095           |
| 4 048  | 5 760            | 13 284           | 18 901           |
| 6 493  | 9 239            | 22 901           | 32 585           |
| 9 707  | 13 812           | 16 898           | 24 044           |
| 740  | 1 053            | 2 354            | 3 349            |
| 383  | 545              | 872              | 1 241            |
| 2 020  | 2 874            | 756              | 1 076            |
| 23 549                                       | 33 507           | 19 644           | 27 951           |
| 19 829                                       | 28 214           | 24 495           | 34 853           |
| 78 034                                       | 111 032          | 33 707           | 47 961           |
| 10 638                                       | 15 137           | 16 307           | 23 203           |
| 77 219                                       | 109 873          | 3 756            | 5 344            |
| 1 534  | 2 183            | 7 680            | 10 928           |
| 46 012                                       | 65 469           | 35 548           | 50 580           |
| <i>Total prime cost of animals and skins</i> |                  |                  |                  |
| 1 403 612                                    | 1 997 160        | 1 844 257        | 2 624 141        |
| -1 815 111                                   | -2 582 670       | -1 091 762       | -1 553 437       |
| <b>1 419 164</b>                             | <b>2 019 288</b> | <b>1 911 783</b> | <b>2 720 222</b> |

**NOTES TO FINANCIAL STATEMENTS (continued)**

**NOTES TO THE INCOME STATEMENT**

**25. Sales expenses**

|  |
|--|
| Commission to auction houses (Finland) |
| Commission to auction houses (Denmark) |
| Advertising expenses                   |
| <b>Total</b>                           |

| 31.12.2012.   | 31.12.2012.   | 31.12.2011.    | 31.12.2011.    |
|---------------|---------------|----------------|----------------|
| LVL           | EUR           | LVL            | EUR            |
| 61 928        | 88 116        | 102 720        | 146 157        |
| 0             | 0             | 163            | 232            |
| 1 137         | 1 618         | 299            | 425            |
| <b>63 065</b> | <b>89 733</b> | <b>103 182</b> | <b>146 815</b> |

**26. Administrative expenses**

|   |
|---|
| Communication expenses                                    |
| Office maintenance expenses                               |
| Annual report expenses                                    |
| Bank services   |
| Administration salaries                                   |
| Provisions for leaves and state social insurance payments |
| State social insurance payments, unemployment risk duty   |
| Depreciation  |
| Transport, business trip expenses                         |
| Various services and expenses                             |
| Legal services  |
| Membership dues, payments to the Riga Stock Exchange      |
| Accounting and other financial services                   |
| <b>Total</b>  |

| 31.12.2012.    | 31.12.2012.    | 31.12.2011.    | 31.12.2011.    |
|----------------|----------------|----------------|----------------|
| LVL            | EUR            | LVL            | EUR            |
| 4 111          | 5 849          | 3 168          | 4 508          |
| 1 001          | 1 424          | 866            | 1 232          |
| 2 700          | 3 842          | 3 300          | 4 695          |
| 21 288         | 30 290         | 2 182          | 3 105          |
| 88 944         | 126 556        | 80 807         | 114 978        |
| 0              | 0              | 1 193          | 1 697          |
| 20 845         | 29 660         | 17 016         | 24 212         |
| 3 050          | 4 340          | 3 277          | 4 663          |
| 9 928          | 14 126         | 6 890          | 9 804          |
| 13 759         | 19 577         | 9 108          | 12 960         |
| 19 226         | 27 356         | 8 990          | 12 792         |
| 9 340          | 13 290         | 13 210         | 18 796         |
| 19 500         | 27 746         | 20 500         | 29 169         |
| <b>213 692</b> | <b>304 056</b> | <b>170 507</b> | <b>242 610</b> |

**27. Other operating income**

|   |
|---|
| Income from forage and other tangible assets            |
| Income from service provision and work execution        |
| Subsidies for purchase of breeding animals              |
| Income from foreign currency exchange rate fluctuations |
| Income from sale of tangible assets                     |
| Decrease of provisions for leaves                       |
| Benefits of share selling                               |
| Other income  |
| <b>Total</b>  |

| 31.12.2012.   | 31.12.2012.    | 31.12.2011.   | 31.12.2011.    |
|---------------|----------------|---------------|----------------|
| LVL           | EUR            | LVL           | EUR            |
| 30 800        | 43 824         | 49 372        | 70 250         |
| 29 387        | 41 814         | 120           | 171            |
| 19 800        | 28 173         | 16 591        | 23 607         |
| 0             | 0              | 7 431         | 10 573         |
| 0             | 0              | 1 152         | 1 639          |
| 1 981         | 2 819          | 0             | 0              |
| 2 875         | 4 091          | 0             | 0              |
| 363           | 517            | 3 178         | 4 522          |
| <b>85 206</b> | <b>121 237</b> | <b>77 844</b> | <b>110 762</b> |

**28. Other operating expenses**

|  |
|--|
| Sold forage expenses   |
| Losses from foreign currency exchange rate fluctuations and buying/selling |
| Allowance for doubtful debts   |
| Construction in progress write-off   |
| Losses on disposal of fixed assets   |
| Various expenses   |
| Commission   |
| Expenses for fur auctions in the previous tax periods                      |
| <b>Total</b>   |

| 31.12.2012.   | 31.12.2012.   | 31.12.2011.   | 31.12.2011.   |
|---------------|---------------|---------------|---------------|
| LVL           | EUR           | LVL           | EUR           |
| 28 122        | 40 014        | 48 724        | 69 328        |
| 15 171        | 21 586        | 0             | 0             |
| 0             | 0             | 3 575         | 5 087         |
| 13 761        | 19 580        | 0             | 0             |
| 3 275         | 4 660         | 37            | 53            |
| 772           | 1 098         | 547           | 778           |
| 0             | 0             | 89            | 127           |
| 0             | 0             | 2 491         | 3 544         |
| <b>61 101</b> | <b>86 939</b> | <b>55 463</b> | <b>78 917</b> |

**29. Other interest receivable and similar income**

|               |
|---------------|
| Bank interest |
| <b>Total</b>  |

| 31.12.2012. | 31.12.2012. | 31.12.2011. | 31.12.2011. |
|-------------|-------------|-------------|-------------|
| LVL         | EUR         | LVL         | EUR         |
| 0           | 0           | 2           | 3           |
| <b>0</b>    | <b>0</b>    | <b>2</b>    | <b>3</b>    |

**30. Interest payable and similar expenses**

|  |
|--|
| Interest on advances in auction houses |
| Interest on short-term loans           |
| Interest on long-term loans            |
| Fines and penalties paid               |
| <b>Total</b>                           |

| 31.12.2012.   | 31.12.2012.   | 31.12.2011.   | 31.12.2011.    |
|---------------|---------------|---------------|----------------|
| LVL           | EUR           | LVL           | EUR            |
| 20 377        | 28 994        | 30 788        | 43 807         |
| 427           | 608           | 185           | 263            |
| 36 255        | 51 586        | 53 057        | 75 493         |
| 1 319         | 1 877         | 1 554         | 2 211          |
| <b>58 378</b> | <b>83 064</b> | <b>85 584</b> | <b>121 775</b> |

**NOTES TO FINANCIAL STATEMENTS (continued)**

**NOTES TO THE INCOME STATEMENT**

**31. Extraordinary income**

Surplus identified at the inventory

**Total**

| 31.12.2012. | 31.12.2012. | 31.12.2011.   | 31.12.2011.   |
|-------------|-------------|---------------|---------------|
| LVL         | EUR         | LVL           | EUR           |
| 0           | 0           | 29 506        | 41 983        |
| <b>0</b>    | <b>0</b>    | <b>29 506</b> | <b>41 983</b> |

**Deferred tax income or expenses**

Temporary difference in provisions for annual leave

Temporary difference in tangible assets depreciation

Temporary differences of the loss amounts, that reduce the taxable income

**Deferred tax liabilities (+), assets (-)**

| 31.12.2012.   | 31.12.2012.   | 31.12.2011.    | 31.12.2011.     |
|---------------|---------------|----------------|-----------------|
| LVL           | EUR           | LVL            | EUR             |
| 4 631         | 6 589         | 4 698          | 6 685           |
| 24 578        | 34 971        | 26 292         | 37 410          |
| -31 414       | -44 698       | -102 195       | -145 410        |
| <b>-2 205</b> | <b>-3 137</b> | <b>-71 205</b> | <b>-101 316</b> |

Deferred tax calculated for the year 2012 and 2011 is tax asset that in accordance with the precautionary principle is not recognized.

**32. Other taxes**

Immovable property tax in the reporting year

| 31.12.2012.  | 31.12.2012.  | 31.12.2011.  | 31.12.2011.  |
|--------------|--------------|--------------|--------------|
| LVL          | EUR          | LVL          | EUR          |
| 1 425        | 2 028        | 1 240        | 1 764        |
| <b>1 425</b> | <b>2 028</b> | <b>1 240</b> | <b>1 764</b> |

**OTHER NOTES TO FINANCIAL STATEMENTS**

**33. Fees for sworn auditors company**

Audit of annual report

Translation of annual report

| 31.12.2012.  | 31.12.2012.  | 31.12.2011.  | 31.12.2011.  |
|--------------|--------------|--------------|--------------|
| LVL          | EUR          | LVL          | EUR          |
| 2 500        | 3 557        | 3 300        | 4 695        |
| 200          | 285          | 0            | 0            |
| <b>2 700</b> | <b>3 842</b> | <b>3 300</b> | <b>4 695</b> |

**34. Guarantees and off-balance-sheet liabilities**

Guarantees are not issued

There is non Off-balance-sheet liabilities

**35. Received financial assistance and other forms of financial support**

In reporting year Company was granted with state aid in amount of LVL 19 800 for breeding works and animal growing in non-traditional sector. Funding was received in September 2012

In reporting year Company was granted with European Agricultural Fund's for Rural Development public funding project's "Development of fur animal farms" support in amount of LVL 1 680 100. Granted amount of co-financing covers 60% of construction costs.

Implementation of the project begins on 1 October 2012 and will be completed till 30 March 2014. Public fund will be received in parts starting with May 2013 to March 2014.

All fund provider's requirements concerning in previous years received funds are fulfilled.

Company had no liabilities concerning failures to comply with financing provider's regulations.

In reporting year Company has not received national or local municipality guarantees or investments in equity capital.

In March and May of reporting year Company has received state social insurance payments and personal income tax current payments' extensions for period of three month.

In reporting year Company has not received contributions or donations.

**36. Transactions with related parties**

**Income**

Income from fur-skin sales to the Board member G.Isajevai

**Total**

| 31.12.2012. | 31.12.2012. | 31.12.2011. | 31.12.2011. |
|-------------|-------------|-------------|-------------|
| LVL         | EUR         | LVL         | EUR         |
| 328         | 467         | 199         | 283         |
| <b>328</b>  | <b>467</b>  | <b>199</b>  | <b>283</b>  |

**Expences**

Expences for legal services from the member of Council A.Jaunsleins legal office Sole Proprietor

Expences for accounting services from the member of Council S.Neimane LTD "SN Finances" (Board and Council member)

**Total**

| 31.12.2012.   | 31.12.2012.   | 31.12.2011.  | 31.12.2011.   |
|---------------|---------------|--------------|---------------|
| LVL           | EUR           | LVL          | EUR           |
| 18 900        | 26 892        | 7 259        | 10 329        |
| 6 000         | 8 537         | 0            | 0             |
| <b>24 900</b> | <b>35 430</b> | <b>7 259</b> | <b>10 329</b> |

In 2012 Company has received and repaid short-term loan with no interest applied from Council member and shareholder Agrita Jaunsleins and Chairman of the Board and shareholder Gundars Jaunseins.

For all transactions with related parties are used market prices

**NOTES TO FINANCIAL STATEMENTS (continued)**  
**OTHER NOTES TO FINANCIAL STATEMENTS**

**37. Lease Contracts**

In reporting year Company has concluded contract with Pāvilsotas region local municipality for long-term lot lease with plot rights. To implement European Agricultural Funds' project "Development of fur animal farms" on the leased lot territory are planned to build new streamlined fur farm.

**38. Liabilities to former employees**

Company has liabilities to former employees concerning injuries, which occurred in the event of an accident at work.

|   | 31.12.2012. | 31.12.2012. | 31.12.2011. | 31.12.2011. |
|---|-------------|-------------|-------------|-------------|
| Expences  | LVL         | EUR         | LVL         | EUR         |
| Compensation for damage   | 1616        | 2299        | 1616        | 2299        |
| Invalidity pension and addition payments for invalidity pension | 1406        | 2001        | 1209        | 1720        |
| <b>Total</b>  | <b>3022</b> | <b>4300</b> | <b>2825</b> | <b>4020</b> |

**39. Subsequent events**

In February 2013 Company's 1 278 500 EUR loan in JSC "ABLV Bank" was refinanced by canceling credit agreement with JSC "Citadele banka". As a result of loan refinancing repayment terms were prolonged from 10.10.2014. to 20.07.2015 and also were reduced fixed interest rate from 5% to 4.2%. Loan repayments have to be done every month according with repayment schedule.

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.

**40. Monetary assets and liabilities**

Company is primarily exposed to foreign exchange risk with EUR currency.

|                                     | 31.12.2012.     | 31.12.2011.    |
|-------------------------------------|-----------------|----------------|
|                                     | EUR             | EUR            |
| Monetary assets, EUR                | 469312          | 98329          |
| Monetary liabilities, EUR           | -2551754        | -493950        |
| <b>Balance-sheet item EUR, neto</b> | <b>-2082443</b> | <b>-395621</b> |
| <b>Balance-sheet item LVL, neto</b> | <b>-1463549</b> | <b>-278044</b> |

98% -99% of Company's income is in EUR currency. In 2012 losses from EUR currency sales are 15 136 LVL.

**41. Explanation of the changes in the "Annual Report for the period 01 January 2012 – 31 December 2012" in comparison with the published "Unaudited Financial Statements for 12 Months Period of Year 2012"**

In comparison with the earlier published "Unaudited Financial Statements for 12 Months Period of Year 2012" the Net turnover has changed about LVL 60 187. In the "Annual Report for the period 01 January 2012 – 31 December 2012" there has been made financial item requalification in the Income statement. Income from forage and other tangible assets 30 800 LVL and Income from service provision and work execution 29 387 LVL, totally 60 187 LVL has been requalified from financial item "Net turnover" to financial item "Other operating income". There are no other changes made in the "Annual Report for the period 01 January 2012 – 31 December 2012" in comparison with the "Unaudited Financial Statements for 12 Months Period of Year 2012".

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     |

15 March 2013

**Branch "KAPITĀLS":**

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m.t.: +371 29259804  
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## **INDEPENDENT AUDITOR'S REPORT**

**To the Shareholders of  
Joint Stock Company  
„GROBIŅA”**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Joint Stock Company „GROBIŅA” set out on pages 8 to 30 of the accompanying annual report, which comprise the balance sheet as of 31 December 2012 and the profit and loss account and the statements of changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Law of the Republic of Latvia on Annual Reports, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Joint Stock Company „GROBINA” as of 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with the Law of the Republic of Latvia on Annual Reports.

**Report on Other Legal and Regulatory Requirements**

We have read the management report for 2012 set out on pages 4 to 7 of the accompanying annual report for 2012 and did not identify material inconsistencies between the financial information contained in the management report and that contained in the financial statements for 2012.

Marija Jansone  
Certified auditor of Latvia  
Certificate No.25  
Member of the Board  
„AUDIT ADVICE”, Ltd.  
Commercial company license No.134



*Jansone*

Riga, Latvia  
March 15th, 2013