

Joint Stock Company "GROBIŅA"

(Unified registration number 40003017297)

Unaudited Financial Statements for 12 Months Period of Year 2013

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 2013: LVL 1 = EUR 0.702804

as at 31 December 2012: LVL 1 = EUR 0.702804

and it is only for informative purposes.

Dubeņi, Grobiņa district

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General Information

Name of the Company	Joint stock company "Grobiņa"
Legal status of the Company	Public joint stock company
Registration number, place, date	40003017297 Riga, 12 July 2004
Address	Lapsu Street 3, Dubēni, Grobiņa district Latvia, LV-3438
Names and legal addresses of related and associated companies (indicating the Company's percentual share in the equity of these companies)	Not applicable
Core Business Activities of the Company	Raising of other animals, NACE 01.49 Farm animal food production NACE 10.91
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	Linda Elsberģe
Member of the Council	Silvija Neimane
Reporting year	01 January 2013 – 31 December 2013
Name and address of the auditor	Marija Jansone Sworn auditor (LACA Certificate No.25)
	SIA AUDIT ADVICE Sworn auditors company's licence No.134 Riga, 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 2013 is LVL 2 616 032 or EUR 3 722 278, comparing with 2012 net turnover has increased by 19%. 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 2013 58 112 mink skins were sold at the average sales price of LVL/pc 45,02, because the number of sold skins in December auction was lower than planned. Also there were sold 6 fox skins for the average sales price of LVL/pc 15,50. Therefore we can conclude that the high quality on the produced skins on year 2012 and year 2013 had ensured all time highest sales prices in company's history, because the sales prices for auction houses has increased by 40% comparing with last year.

The average number of employees in JSC "GROBIŅA" within 12 months of 2013 is 87, in the same period of 2012 - 82 employees.

In 2013 in salaries and wages Company has paid LVL 472 370, average wage and salary per one employee was LVL 452,46. In 2012 in salaries and wages Company has paid LVL 352 428 and average wage and salary's value per employee was LVL 358,16.

Profit of 2013 is LVL 550 591 or EUR 783 420. Net earnings per share are LVL 1,101 or EUR 1,567. Net earnings per share in 2012 were LVL 0,928 or EUR 1,321.

On March 2013 JSC "Grobiņa" started the realization of project "Fur animal breeding closures" at Pāvilosta district, Vērgale parish, "Ceļmalnieki" where it was planned to build new modern farm. For the project purposes on December 2013 JSC "Grobiņa" from Pāvilosta region local municipality purchased land property 24,7 hectares at Pāvilosta district, Vērgale parish, "Ceļmalnieki" for the purchase price of LVL 43 700. The aim of modern, fully automated (functioning of the farm can be maintained by 24 employees) and from diseases clean fur-animal (mink) farm building is farm modernization. The farm is planned for 22 000 female mink breeding herd. The total costs of the farms construction project are EUR 5 075 978,55 LVL 3 567 418,03. Besides this, on year 2013, the management of JSC "Grobiņa" started the work on another project - establishment of a brand new food preparation facility, so in result for the project purposes JSC "Grobiņa" on January 2013 purchased real estate property on Brīvības street 119A and 119B, Liepāja.

On year 2013 JSC "Grobiņa" has made long term investments in total amount of EUR 6 055 677 or LVL 4 255 947, including EUR 634 458 or LVL 445 900 in the existing farm at Lapsu street, Dubeņi, Grobiņa parish, Grobiņa district, EUR 4 910 422 or LVL 3 451 064 in farm at "Ceļmalnieki", Vērgale parish, Pāvilosta district and EUR 510 787 or LVL 358 983 in the fur animal feed kitchen at Brīvības street 119A and 119B, Liepāja.

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 Company's loans are in EUR. As the goods are exported to the markets where the dominating currency is euro, what had been stable currency, 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 follows prudent liquidity risk management ensuring that adequate finance resources are available for fulfilling its liabilities in fixed terms. On 31 December 2013 the Company's current assets exceeded short-term liabilities by LVL 215 815 or EUR 307 077. Long-term liabilities include long-term loan from bank, the maturity is 28th January 2019 and 19th February 2020. 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 = 0.17

Quick liquidity ratio = 0.15

Specific weight of liabilities in the balance sheet = 0.77

Debt/Equity Ratio = 3.37

Inventory turnover ratio = 0.75

Asset turnover ratio = 0.28

Profit on sales (%) = 21.05%

Return on equity (%) = 25.55 %

Legal proceedings

The Board of JSC "GROBIŅA" informs, that in 2013 against AS "GROBIŅA" there is no legal proceedings initiated. In previous years initiated proceedings against Board and Council at the time are terminated. Further details on proceedings and results are regularly published.

Subsequent events

JSC "Grobiņa" on January, 2014 signed a contract with Polish company "Bono Fur Farm" on the purchase of high quality short-haired Scandinavian type mink breeding herd for the new farm in "Ceļmalnieki", Vērgales district, Pāvilostas region in the total amount of EUR 3 145 000. As the result, on February, 2014 all purchased mink herd, consisting of 22 000 female minks and 4500 male minks, has been delivered to the new farm.

On January, 2014 JSC "Grobiņa" signed additional agreement on the Credit contract with JSC "Citadele Banka" on receiving additional credit in amount of EUR 2 102 500, from which EUR 1 320 000 was granted for the above mentioned mink herd purchase, but the remaining part EUR 782 500 was granted to partly cover the costs of the new food kitchen project. The loan repayment term is till 28.01.2019., with the annual interest rate of 4.2 % + 6 month EURIBOR rate.

On January, 2014 the first part of the construction project "Fur animal breeding closures" at "Ceļmalnieki", Vērgales district, Pāvilostas region" was put into exploitation, but already on February also the second part of the construction project was put into exploitation, as the result JSC "Grobiņa" has fully completed the construction project of the new fur farm in "Ceļmalnieki", Vērgales district, Pāvilostas region.

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 2013 profit volume in Shareholder's meeting JSC "GROBIŅA" Board recommends to consider part of the profit pay as dividends.

Future perspective

The management of JSC "Grobiņa" believes that by realizing the project on "Ceļmalnieki", Vērgale parish, Pāvilosta district, Company on year 2014 will be able to double the production volume by growing more than 200 000 animals, and as a result Company is planning to significantly increase the turnover within the next three years. Also the management of "Grobiņa" continues the work to establish a brand new food preparation kitchen on Brīvības street 119A and Brīvības street 119B, Liepāja. It is planned, that the new food preparation kitchen in the future could provide with the food not only JSC "Grobiņa" farms, but also other farms in Latvia and Lithuania. JSC "Grobiņa" management believes that formation of this food preparation facility is one of the most important precondition for mink farming industry's development in Latvia. Project implementation in the several year time is divided into separate phases. The volume of the project's investment necessary are planned to be 2,4 million EUR to 7 million EUR. It is planned to finish the first phase on March 2014.

Besides, on year 2014 the board of JSC "Grobiņa" is planning to reconstruct the fur-animal feed kitchen on the existing farm at Lapsu street 3, Dubeņi, Grobiņas parish, Grobiņa district, in result it will be modernized and its production capacity will be increased.

Chairman of the Board_____Gundars Jaunsleinis

Member of the Board_____Gunta Isajeva

Member of the Board_____Andris Vītoliņš

20 February 2014

Statement of Management's responsibility

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

The Management of Joint Stock Company "GROBIŅA" in accordance with information available confirms that the Annual Report for the financial year 2013 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

20 February 2014

BALANCE SHEET

ASSETS	31.12.13. LVL	31.12.13. EUR	31.12.12. LVL	31.12.12. EUR
II Tangible assets				
Land, building and construction	468 443	666 534	326 250	464 212
Equipment and machinery	76 856	109 356	86 571	123 179
Other fixed assets and equipment	244 346	347 673	70 400	100 170
Construction in progress	3 676 279	5 230 874	27 172	38 662
Advance payments for tangible assets	220 061	313 119	0	0
Total tangible assets	4 685 985	6 667 556	510 393	726 224
III Biological assets				
Breeding animals	1 777 509	2 529 167	1 768 218	2 515 948
Advance payments for breeding animals	2 811	4 000	2 811	4 000
Total biological assets	1 780 320	2 533 167	1 771 029	2 519 947
Total non-current assets	6 466 305	9 200 723	2 281 422	3 246 171
Current assets				
I Inventories				
Raw materials and consumables	389 335	553 974	126 449	179 921
Unfinished production	0	0	1 212	1 725
Finished production and goods for sale	2 146 947	3 054 830	1 150 962	1 637 671
Total inventories	2 536 282	3 608 804	1 278 623	1 819 317
II Receivables				
Trade receivables	1 630	2 319	10 850	15 438
Other receivables	50 985	72 545	39 566	56 297
Prepaid expenses	6 426	9 143	5 150	7 328
Total receivables	59 041	84 008	55 566	79 063
III Cash (total)	408 148	580 742	327 309	465 719
Total current assets	3 003 471	4 273 554	1 661 498	2 364 099
Total assets	9 469 776	13 474 277	3 942 920	5 610 270

Chairman of the Board _____ Gundars Jaunsleinis

Member of the Board _____ Gunta Isajeva

Member of the Board _____ Andris Vītoliņš

20 February 2014

BALANCE SHEET (continued)

EQUITY AND LIABILITIES	31.12.13. LVL	31.12.13. EUR	31.12.12. LVL	31.12.12. EUR
I Equity				
Share capital (equity)	500 000	711 436	500 000	711 436
Reserves:				
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				
a) retained earnings for the previous ye	1 049 655	1 493 525	885 459	1 259 895
b) retained earnings for the reporting ye	550 591	783 420	464 196	660 491
<i>Total retained earnings</i>	1 600 246	2 276 945	1 349 655	1 920 386
<i>Total equity</i>	2 154 700	3 065 862	1 904 109	2 709 303
II Provisions				
Other provisions	49 043	69 782	30 874	43 930
<i>Total provisions</i>	49 043	69 782	30 874	43 930
III Liabilities				
I Long-term liabilities				
Loans from credit institutions	3 162 998	4 500 541	449 443	639 500
Other loans	7 307	10 397	13 196	18 776
Further period income	1 282 875	1 825 367	0	0
Deferred tax liabilities	25 197	35 852	0	0
<i>Total long-term liabilities</i>	4 478 377	6 372 156	462 639	658 276
II Short-term liabilities				
Loans from credit institutions	267 772	381 005	449 093	639 002
Other loans	22 149	31 515	8 392	11 941
Prepayments received from customers	1 647 980	2 344 864	846 139	1 203 947
Trade payables	672 394	956 730	178 971	254 653
Taxes and state social insurance payables	66 248	94 262	27 961	39 785
Other payables	26 305	37 429	21 422	30 481
Further period income	67 520	96 072	0	0
Accrued liabilities	17 288	24 599	13 320	18 953
<i>Total short-term liabilities</i>	2 787 656	3 966 477	1 545 298	2 198 761
<i>Total liabilities</i>	7 266 033	10 338 634	2 007 937	2 857 037
<i>Total equity and liabilities</i>	9 469 776	13 474 277	3 942 920	5 610 270

Chairman of the Board _____ Gundars Jaunsleinis

Member of the Board _____ Gunta Isajeva

Member of the Board _____ Andris Vītoliņš

20 February 2014

INCOME STATEMENT

	2013 LVL	2013 EUR	2012 LVL	2012 EUR
Net turnover	2 616 032	3 722 278	2 195 815	3 124 363
Cost of sales	1 423 540	2 025 515	1 419 164	2 019 288
Gross profit or loss	1 192 492	1 696 763	776 651	1 105 075
Sales expenses	57 572	81 918	63 065	89 733
Administrative expenses	327 198	465 561	213 692	304 056
Other operating income	46 131	65 638	85 206	121 237
Other operating expenses	52 120	74 160	61 101	86 939
Profit or loss from operations	801 733	1 140 763	523 999	745 583
Interest payable and similar expenses	161 619	229 963	58 378	83 064
Profit or loss before extraordinary items and taxes	640 114	910 800	465 621	662 519
Profit or loss before taxes	640 114	910 800	465 621	662 519
Company income tax for the accounting year	57 767	82 195	0	0
Deferred corporate income tax	25 197	35 852	0	0
Other taxes	6 559	9 333	1 425	2 028
Profit or loss of the reporting year	550 591	783 420	464 196	660 491
Earnings (loss) per share (EPS)	1,101	1,567	0,928	1,321

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Member of the Board _____ Gunta Isajeva

Member of the Board _____ Andris Vītoliņš

20 February 2014

CASH FLOW STATEMENT (indirect method)

	2013 LVL	2013 EUR	2012 LVL	2012 EUR
I Cash flow from operating activities				
1 Profit or loss before extraordinary items and taxes	640 114	910 800	465 621	662 519
Adjustments:				
a) depreciation costs of tangible assets;	80 355	114 335	64 916	92 367
b) disposals of tangible assets;	0	0	17 035	24 239
c) accruals (other than accruals for doubtful debts);	18 169	25 852	-447	-636
d) profit or loss from foreign currency exchange rate fluctuations;	15 800	22 481	15 171	21 586
e) subsidies, grants, endowments, donations;	-26 430	-37 607	-19 800	-28 173
f) interest payable and similar expenses.	159 034	226 285	58 378	83 064
2 Profit or loss before corrections of changes in the balances of current assets and short-term liabilities	887 042	1 262 147	600 874	854 967
Adjustments:				
a) (increase)/decrease in long-term financial investments;	0	0	2 500	3 557
b) (increase)/decrease in biological assets;	-9 291	-13 220	-1 458 984	-2 075 947
c) (increase)/decrease in receivables balances;	-3 475	-4 944	506	720
d) (increase)/decrease in inventories balances;	-1 257 659	-1 789 488	-267 009	-379 920
e) increase/(decrease) in suppliers, contractors and other creditors payables balances.	2 717 994	3 867 357	859 365	1 222 766
3 Gross cash flow from operating activities	2 334 611	3 321 852	-262 748	-373 857
4 Interest payable	-159 034	-226 285	-58 378	-83 064
5 Immovable property tax expenses	-89 523	-127 380	-1 425	-2 028
6 Cash flow before extraordinary items	2 086 054	2 968 187	-322 551	-458 949
7 Net cash flow from operating activities	2 086 054	2 968 187	-322 551	-458 949
II. Cash flow from investing activities				
1 Additions in tangible and intangible assets	-4 255 947	-6 055 667	-46 604	-66 312
2 Proceeds obtained from disposal of tangible and intangible assets	0	0	5 761	8 197
8 Cash flow from investing activities	-4 255 947	-6 055 667	-40 843	-58 114
III. Cash flow from financing activities				
1 Loans received	3 013 219	4 287 424	1 049 110	1 492 749
2 Subsidies, grants, endowments and donations received	26 430	37 607	19 800	28 173
3 Loans repaid	-473 117	-673 185	-410 356	-583 884
4 Dividends paid	-300 000	-426 862	0	0
9 Net cash flow from financing activities	2 266 532	3 224 984	658 554	937 038
IV. Result of foreign currency exchange rate fluctuation	-15 800	-22 481	-15 171	-21 586
V. Net cash flow in the reporting year	80 839	115 024	279 989	398 388
VI. Cash and its equivalents at the beginning of the reporting year	327 309	465 719	47 320	67 330
VII. Cash and its equivalents at the end of the reporting year	408 148	580 742	327 309	465 719

Chairman of the Board _____

Member of the Board _____

Member of the Board _____

20 February 2014

STATEMENT OF CHANGES IN EQUITY

	2013 LVL	2013 EUR	2012 LVL	2012 EUR
I. Share capital (equity)				
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
V. Reserves				
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
VI. Retained earnings				
1. Amount in the balance sheet of the previous year	1349655	1920386	885459	1259895
2. Dividends calculated	300000	426862	0	0
3. Increase/decrease in retained earnings	550 591	783420	464 196	660491
4. Amount in the balance sheet at the end of the reporting year	1 600 246	2276945	1 349 655	1920386
VII. Equity				
1. Amount in the balance sheet of the previous year	1904109	2709303	1439913	2048812
3. Amount in the balance sheet at the end of the reporting year	2154700	3065862	1904109	2709303

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

Gundars Jaunsleinis
 Gunta Isajeva
 Andris Vītoliņš

20 February 2014

NOTES TO THE FINANCIAL STATEMENTS

ACCOUNTING POLICY

I. General Principles

The financial statements of the Company have been prepared in accordance with the Law of the Republic of Latvia on Annual Reports, Regulations No.488 issued by the Cabinet of Ministers of the Republic of Latvia "Law on annual reports enforcement policies", Regulations No.481 issued by the Cabinet of Ministers of the Republic of Latvia "Regulations on the cash flow statement and statement of changes in equity content and preparation procedures".

Income statement has been prepared by turnover cost method.

Cash flow statement has been prepared using indirect method to calculate cash flow from operating activities.

Accounting policy, accounting and evaluation methods used by the Company have not been changed comparing with the previous reporting year.

Financial reporting year is 12 month and it is equal to calendar year.

Accounting principles used

Items of the financial statements have been evaluated according to the following accounting principles:

1. Assumption, that a Company is a going concern.
2. The same evaluation methods are used as in the previous reporting year.
3. Evaluation is made with proper precaution, taking into account the following conditions:
 - the report includes profit, that was acquired till the date of the balance sheet;
 - all foreseeable risk amounts and losses that incurred during the reporting year or in the previous years have been taken into account even if they have been found out in the period between the date of balance sheet and the date, when annual report was signed;
 - any value decrease and depreciated amounts have been calculated and taken into account regardless of whether the reporting year is finished with profit or loss.
4. Income and expenses related to the reporting year are taken into account regardless of the date of payment and the date of invoice receipt or issue. Expenses are reconciled with incomes in the reporting year.
5. Elements of the assets and liabilities items are evaluated separately.
6. Opening balances of the reporting year match closing balances of the previous year except the adjusted
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

	31.12.2013.	31.12.2012.	
	(lats)	(lats)	
1 USA dollar	0,515	0,531	(USD)
1 Euro	0,702804	0,702804	(EUR)
1 Lithuanian lit	0,204	0,204	(LTL)
1 Danish krone	0,0942	0,0942	(DKK)
1 Russian rouble	0,0156	0,0174	(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.