

Joint Stock Company "GROBIŃA"

(Unified registration number 40003017297)

ANNUAL REPORT

FOR THE PERIOD

01 JANUARY 2014 -

31 DECEMBER 2014

DubeŃi, GrobiŃa district

Contents

	Pages
General Information	3
Management Report	4
Statement of Management's Responsibility	6
Balance Sheet	7
Income Statement	9
Cash Flow Statement	10
Statement of Changes in Equity	11
Notes to the Financial Statements	12
Independent Auditor's Report	29

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, Dubēpi, Grobiņa district Latvia, LV-3438
Names and legal addresses of related and associated companies (indicating the Company's percentual share in the equity of these companies)	Not applicable
Core Business Activities of the Company	Raising of other animals, NACE 01.49 Farm animal food production NACE 10.91 Owned or rented property rent or administration, NACE 68.20
Names and positions of the Board members:	duration in accordance with data from the Register of Enterprises
Chairman of the Board	Gundars Jaunsleinis
Member of the Board	Gunta Isajeva
Member of the Board	Andris Vītoliņš (until 2 April, 2015)
Member of the Board	Ireneusz Sajewicz (from 2 April, 2015)
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 2014 – 31 December 2014
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

For reasons beyond JSC "GROBIŅA" control, fur sale prices in 2014 decreased in all global market segments, including on mink production, as a result 2014 was a year of crisis for fur-farming industry, including for fur farming JSC "GROBIŅA" (the reason for global price drop was unusually warm winter and changes in the largest fur buyer consumer China's import policy).

In spite of global fur price decrease in 2014, JSC "GROBIŅA" managed to carry out investment projects initiated in 2013:

- In February 2014 fur farm was opened in Pavilosta district, Vergales region "Celmalniekos" in which high-quality breeding herd was imported;
- 1 and 2 stage of "Centralized fur animal feed production" project was completed. Production in Liepāja on 119A, 119B Brīvības Street was put into operation on January 29, 2015.

Therefore, long-term investments of JSC "GROBIŅA" as at the end of 2014 are 15 223 427,-EUR, that is 6 022 704,-EUR more than in 2013. Thus in 2014 two new branches of JSC "GROBIŅA" started their work - Vergales fur-farming and Centralized fur animal feed production. In 2014 the average number of employees was grown to 95 employees. Due to the investments in 2014, JSC "GROBIŅA" has increased its scale of production. Overall, during farming season in 2014 there were 120 000 mink skins obtained, that is 40% more than in 2013, of which currently 111 097 skins have already been sent to Finnish auction house for sale. Circumstances, when industry's crisis year coincided with the period when JSC "GROBIŅA" made investments and increased scale of production, have badly influenced overall financial indicators of JSC "GROBIŅA". Net turnover of 2014 is 2 879 362 EUR; it has decreased by 23% compared to 2013.

During 12 months of 2014 there were 94 849 mink skins sold at an average price of 28,39 EUR/psc; however, during 12 months of 2013 - 58 112 mink skins were sold at an average price of 64.05 EUR/psc. Although, in 2014 the average sale price of JSC "GROBIŅA" mink skins in Finnish auction house exceeded the average auction sale price, due to global fur industry crisis, the production of JSC "GROBIŅA" in 2014 was sold below cost. Therefore, loss of 2014 is 1 657 441 EUR; however, net loss of 2014 per share is -3.315 EUR; in 2013 net profit per share was 1.567 EUR. In order to establish financial stability, in 2014 the Management of JSC "GROBIŅA" worked with the Company's existing partners and creditors on restructuring of accrued liabilities and deferring payments until 2015 production sales.

As the Management of JSC "GROBIŅA" has forecasted global decrease of fur prices was only temporary, since the beginning of new fur sale season 2015, in accordance with auction results in January, February, March and April 2015 in Danish auction house in Copenhagen, Canadian auction house NAFA and Finnish auction house SAGA FURS, the average mink sale price exceeded 50 EUR/per skin and reached 100% sale. All mentioned above indicates that fur market has recovered in this season and sale prices are back to the range of 2011-2013 sale season prices, as a result the Management of JSC "GROBIŅA" believes that in 2015 it will be able to stabilize cash flow and settle accrued payables for 2014.

Financial Risk Management

The Company's business activity is subjected to various financial risks, including credit risk and interest rate fluctuation risks. The Management of the Company is trying to minimize the negative impact of potential financial risks on the Company's financial situation. As at the December 31, 2014 the Company's short-term liabilities exceeded current assets over 1 544 393 EUR.

Financial results

Total liquidity ratio = 0.70
Current liquidity ratio = 0.04
Quick liquidity ratio = 0.008
Specific weight of liabilities in the balance sheet = 0.92
Debt/Equity Ratio = 12.33
Inventory turnover ratio = 1.00
Asset turnover ratio = 0.15
Profit on sales (%) = -57.56%
Return on equity (%) = -117.68 %

Subsequent events

Since JSC "GROBIŅA" has met all preconditions included in restructuring plan accepted by the bank, the Management of JSC "Citadele banka" has made a decision to apply long-term repayment schedules on issued loans.

Therefore, on May 29, 2015 JSC "GROBIŅA" has concluded 2 agreements with JSC „Citadele banka”, including:

- Contract on loan obligations of 20.02.2013. Loan agreement No.2.1.17-13/07 on repayment of unpaid part of loan EUR 3 559 666,67 up to 28.05.2022, in accordance with the payment schedule. The annual interest rate applied to the loan is 4,5% fixed part +6 months Euribor.
- Contract on loan obligations of 20.02.2013. Loan agreement No.2.1.17-13/06 on repayment of unpaid part of loan EUR 2 873 000 up to 28.05.2022, in accordance with the payment schedule. The annual interest rate applied to the loan is 4,5% fixed part +6 months Euribor.

Thereby, all voluntary auctions of JSC "GROBIŅA" real estate announced by JSC „Citadele banka” on July 6, 2015 will be cancelled.

In addition, on May 25, 2015 JSC "GROBIŅA" has concluded loan agreement with limited partnership FlyCap Investment Fund I AIF on granting the loan in the amount of 1 000 000 EUR in parts as stated by the Agreement, as a result, JSC "GROBIŅA" will receive the first part of the loan in the middle of June this year. The maturity date of the issued loan is 29.05.2020; the interest rate is fixed.

Future perspective

JSC "GROBIŅA" believes that if implementing debt restructuring plan in the 1st quarter of 2015, JSC "GROBIŅA" will be able to continue its work on the Company's development strategy, which is aimed at increasing scale of production, simultaneously ensuring both high quality of the product and low prime cost. Since, during 2014 breeding herd has been increased to 40 000 breeding queens, the Management of the Company plans in the nearest future to obtain up to 200 000 mink skins, thus reaching net turnover up to EUR 10 000 000,-. Under mentioned conditions JSC "GROBIŅA" will achieve high level of competitiveness among the world's leading companies and work with high profitability.

Chairman of the Board _____ Gundars Jaunsleinis

Member of the Board _____ Gunta Isajeva

Member of the Board _____ Ireneusz Sajewicz

1 June 2015

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 2014 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_____

Ireneusz Sajewicz

1 June 2015

BALANCE SHEET

ASSETS	Notes	31.12.2014. EUR	31.12.2013. EUR
Non-current assets			
I Intangible assets			
Concessions, patents, licences, trade marks and similar rights		0	0
Total intangible assets	3	0	0
II Tangible assets			
Land, building and construction		6 015 305	666 533
Equipment and machinery		87 282	109 357
Other fixed assets and equipment		762 132	347 674
Construction in progress		1 371 393	5 230 874
Advance payments for tangible assets		273 543	313 118
Total tangible assets	4	8 509 655	6 667 556
III Biological assets			
Breeding animals		6 709 772	2 529 167
Advance payments for breeding animals		4 000	4 000
Total biological assets	5	6 713 772	2 533 167
Total non-current assets		15 223 427	9 200 723
Current assets			
I Inventories			
Raw materials and consumables	6	230 243	553 974
Unfinished production	7	1 084 582	0
Finished production and goods for sale	8	2 104 264	3 054 830
Total inventories		3 419 089	3 608 804
II Receivables			
Trade receivables	9	109 931	2 319
Other receivables	10	37 398	72 544
Prepaid expenses	11	11 347	9 144
Total receivables		158 676	84 007
III Cash (total)	12	43 778	580 744
Total current assets		3 621 543	4 273 555
Total assets		18 844 970	13 474 278

The accompanying notes from 12 to 28 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 _____ Ireneusz Sajewicz

1 June 2015

BALANCE SHEET (continued)

EQUITY AND LIABILITIES		Notes	31.12.2014.	EUR	31.12.2013. EUR
I	Equity				
	Share capital (equity)	13		711 436	711 436
	Reserves:				
	d) other reserves			77 481	77 481
	<i>Total reserves</i>			77 481	77 481
	Retained earnings				
	a) retained earnings for the previous year			2 276 944	1 493 524
	b) retained earnings for the reporting year			-1 657 441	783 420
	<i>Total retained earnings</i>			619 503	2 276 944
	Total equity			1 408 420	3 065 861
II	Provisions				
	Other provisions	14		71 106	69 782
	Total provisions			71 106	69 782
III	Liabilities				
I	Long-term liabilities				
	Loans from credit institutions	15		6 957 041	4 500 541
	Other loans	16		915 573	10 398
	Trade payables			2 015 425	0
	Further period income	17		2 199 191	1 825 366
	Deferred tax liabilities	18		112 278	35 852
	Total long-term liabilities			12 199 508	6 372 157
II	Short-term liabilities				
	Loans from credit institutions	15		196 567	381 006
	Other loans	16		186 309	31 515
	Prepayments received from customers	19		2 302 548	2 344 865
	Trade payables			2 073 482	956 731
	Taxes and state social insurance payables	20		226 643	94 263
	Other payables	21		58 709	37 427
	Further period income	17		95 617	96 072
	Accrued liabilities	22		26 061	24 599
	Total short-term liabilities			5 165 936	3 966 478
	Total liabilities			17 365 444	10 338 635
	Total equity and liabilities			18 844 970	13 474 278

The accompanying notes from 12 to 28 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 _____ Ireneusz Sajewicz

1 June 2015

INCOME STATEMENT

	Notes	2014 EUR	2013 EUR
Net turnover	23	2 879 362	3 722 278
Cost of sales	24	3 514 908	2 025 515
Gross profit or loss		-635 546	1 696 763
Sales expenses	25	119 644	81 918
Administrative expenses	26	417 056	465 561
Other operating income	27	157 057	65 639
Other operating expenses	28	74 210	74 160
Profit or loss from operations		-1 089 399	1 140 763
Interest payable and similar expenses	29	482 189	229 963
Profit or loss before extraordinary items and taxes		-1 571 588	910 800
Profit or loss before taxes		-1 571 588	910 800
Company income tax for the accounting year		0	82 195
Deferred corporate income tax	30	76 426	35 852
Other taxes	31	9 427	9 333
Profit or loss of the reporting year		-1 657 441	783 420
Earnings (loss) per share (EPS)		-3.315	1.567

The accompanying notes from 12 to 28 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 _____ Ireneusz Sajewicz

1 June 2015

CASH FLOW STATEMENT (indirect method)

	Notes	2014 EUR	2013 EUR
I Cash flow from operating activities			
1 Profit or loss before extraordinary items and taxes		-1 571 588	910 800
<i>Adjustments:</i>			
a) depreciation costs of tangible assets;	4	382 869	114 335
b) disposals of tangible assets;	4	21 648	0
c) accruals (other than accruals for doubtful debts);	14	1 324	25 852
d) profit or loss from foreign currency exchange rate fluctuations;	28	11	22 481
e) subsidies, grants, endowments, donations;	27	-154 956	-37 607
f) interest payable and similar expenses.	29	466 679	226 283
2 Profit or loss before corrections of changes in the balances of current assets and short-term liabilities		-854 013	1 262 144
<i>Adjustments:</i>			
a) (increase)/decrease in biological assets;		-4 180 605	-13 220
b) (increase)/decrease in receivables balances;		-74 669	-4 944
c) (increase)/decrease in inventories balances;		189 715	-1 789 488
d) increase/(decrease) in suppliers, contractors and other creditors payables balances.		3 620 859	3 749 313
3 Gross cash flow from operating activities		-1 298 713	3 203 805
4 Interest payable	29	-466 679	-226 283
5 Immovable property tax expenses	20	-4 596	-9 333
6 Company income tax expenses	20	-7 337	0
7 Cash flow before extraordinary items		-1 777 325	2 968 189
7 Net cash flow from operating activities		-1 777 325	2 968 189
II. Cash flow from investing activities			
1 Additions in tangible and intangible assets	3,4	-2 246 616	-6 055 667
8 Cash flow from investing activities		-2 246 616	-6 055 667
III. Cash flow from financing activities			
1 Loans received		4 030 923	4 287 424
2 Subsidies, grants, endowments and donations received	27	154 956	37 607
3 Loans repaid		-698 893	-673 185
4 Dividends paid		0	-426 862
9 Net cash flow from financing activities		3 486 986	3 224 984
IV. Result of foreign currency exchange rate fluctuation		-11	-22 481
V. Net cash flow in the reporting year		-536 966	115 025
VI. Cash and its equivalents at the beginning of the reporting year		580 744	465 719
VII. Cash and its equivalents at the end of the reporting year	12	43 778	580 744

The accompanying notes from 12 to 28 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 _____ Ireneusz Sajewicz

1 June 2015

STATEMENT OF CHANGES IN EQUITY

	2014 EUR	2013 EUR
<i>I. Share capital (equity)</i>		
1. Amount in the balance sheet of the previous year	711436	711436
4. Amount in the balance sheet at the end of the reporting year	711436	711436
<i>V. Reserves</i>		
1. Amount in the balance sheet of the previous year	77481	77481
4. Amount in the balance sheet at the end of the reporting year	77481	77481
<i>VI. Retained earnings</i>		
1. Amount in the balance sheet of the previous year	2276944	1920386
2. Calculated dividends	0	426862
3. Increase/decrease in retained earnings	-1657441	783420
4. Amount in the balance sheet at the end of the reporting year	619503	2276944
<i>VII. Equity</i>		
1. Amount in the balance sheet of the previous year	3065861	2709303
3. Amount in the balance sheet at the end of the reporting year	1408420	3065861

The accompanying notes from 12 to 28 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 _____ Ireneusz Sajewicz

1 June 2015

NOTES TO THE FINANCIAL STATEMENTS

ACCOUNTING POLICY

I. General Principles

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

Income statement has been prepared by turnover cost method.

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

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

Financial 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 items.
7. All the items, that significantly affect evaluation and decision-making of the annual report users, are disclosed, non-significant items have been combined and the details are disclosed in the notes.
8. Business transactions are disclosed in the annual report, taking into account its economic contents and nature rather than legal form.

Subsequent events

Favorable or adverse events after the balance sheet date of the reporting year are disclosed in the financial statements by reflecting the adjustments in the amounts of the items or by adding new items. If by the time of the preparation of financial statements there has been adverse event that does not relate to the reporting year, but may significantly impact the financial statement users' assessment of Company's assets, liabilities, financial position, profit or loss and cash flow or decision-making in the future, the Management provides information about such events in the Management Report, disclosing the estimated financial impact of the event or informing that it can not be estimated.

Changes in accounting policies, accounting estimates, correction of errors and its disclosure in the financial statements

Accounting policies are changed only if the regulatory framework has changed or if the existing accounting policy no longer meets the true and fair view requirements of the law due to changed circumstances. If a change in accounting policy is caused by normative framework, the impact is disclosed in the financial statements in accordance with established transitional procedures. If the transitional procedures have not been established, the impact of change in accounting policy is evaluated to all respective items of the financial statements of the previous period. Changes in accounting policies are explained in the notes to the financial statements.

Information about the change in accounting estimates is provided in the notes to the financial statements.

Accounting estimates are changed only when subsequent events will change the circumstances that gave rise to the estimate so far, or if there is new information.

Error occurred and discovered during the reporting year or by the time of preparation of annual report is corrected before the financial statements are authorised for issue, adjusting the corresponding financial statement's items.

II. Recognition of revenues and net turnover

Net turnover is the total value of the goods (mink, polar fox and silver fox skins and fur skin products) sold and services provided within the year, subtracting discounts, value added tax and other taxes directly related to sales. Revenue from the product sale is recognized when the buyer has accepted the goods according to the terms and conditions of the goods delivery. Revenue from services provided is recognized at the time services are provided.

Other revenues are recognized as following:

- revenue from rent - at the time it occurs;
- revenues from fines and penalty payments - at the receipt time;
- revenues from insurance compensation - at the receipt time;
- revenues from dividends - when legal right appears;
- revenues from interest - on accrual basis of accounting.

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

III. Intangible and tangible assets

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

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

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

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

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

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

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

IV. 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 euro

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

Assets and liabilities in the foreign currency are revaluated to euro according to the official exchange rate defined by the European Central Bank at the last day of the reporting year. The profit or loss, that derive from the foreign currency exchange rate fluctuations, are disclosed in the income statement in the corresponding period.

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

	2 014	2 013
1. Average number of employees in the reporting year		
Average number of employees	95	87
2. Total personnel expenses	EUR 1 014 999	EUR 832 464
- salaries	822 356	672 122
- state social insurance payments	192 643	160 342
- including:		
Remuneration of employees engaged in production (core activity)		
- salaries	647 000	525 862
- state social insurance payments	151 625	125 244
- total	798 625	651 106
Remuneration of administration		
- salaries	175 356	146 260
- state social insurance payments	41 018	35 098
- total	216 374	181 358
including Reward to the Council		
- reward	0	0
- state social insurance payments	0	0
- total	0	0
including Reward to the Board		
- salary for the board member duties	78 230	75 542
- salary for the professional duties	31 744	37 885
- state social insurance payments	25 943	27 325
- total	135 917	140 752

NOTES TO FINANCIAL STATEMENTS (continued)

NOTES TO THE BALANCE SHEET

3. Statement of intangible assets flow

	Company's development expenses	Concessions, patents, licences, trade marks and similar rights, incl.	Other intangible assets	Goodwill	Advance payments	Total intangible assets
			computer software			
Purchase value as at 31.12.2012.	0	0	2 330	0	0	2 330
Purchase (+)			0			0
Disposal (-)			-497			-497
Purchase value as at 31.12.2013.	0	0	1 833	0	0	1 833
Depreciation as at 31.12.2012.	0	0	2 330	0	0	2 330
Calculated (+)			0			0
Written off (-)			-497			-497
Depreciation as at 31.12.2013.	0	0	1 833	0	0	1 833
Net carrying amount as at 31.12.2012.	0	0	0	0	0	0
Net carrying amount as at 31.12.2013.	0	0	0	0	0	0

	Company's development expenses	Concessions, patents, licences, trade marks and similar rights, incl.	Other intangible assets	Goodwill	Advance payments	Total intangible assets
			computer software			
Purchase value as at 31.12.2013.	0	0	1 833	0	0	1 833
Purchase (+)			0			0
Disposal (-)			-1 707			-1 707
Purchase value as at 31.12.2014.	0	0	126	0	0	126
Depreciation as at 31.12.2013.	0	0	1 833	0	0	1 833
Calculated (+)			0			0
Written off (-)			-1 707			-1 707
Depreciation as at 31.12.2014.	0	0	126	0	0	126
Net carrying amount as at 31.12.2013.	0	0	0	0	0	0
Net carrying amount as at 31.12.2014.	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 and construction	Long-term investm. in rented fixed assets	Equipment and machinery	Other fixed assets and equipment	Construction in progress	Advance payments for fixed assets	Total
Purchase or revaluated value as at 31.12.2012.	1 657 606	0	760 283	330 518	38 663	0	2 787 070
Purchased in the reporting year (+)	252 729	0	8 641	288 968	5 192 211	313 118	6 055 667
Disposed in the reporting year (+/-)	-58 045	0	-2 033	-1 511	0	0	-61 589
Purchase or revaluated value as at 31.12.2013.	1 852 290	0	766 891	617 975	5 230 874	313 118	8 781 148
Accumulated depreciation as at 31.12.2012.	1 193 394	0	637 104	230 348	0	0	2 060 846
Calculated in the reporting year (+)	50 408	0	22 463	41 464	0	0	114 335
Disposed in the reporting year (-)	-58 045	0	-2 033	-1 511	0	0	-61 589
Accumulated depreciation as at 31.12.2013.	1 185 757	0	657 534	270 301	0	0	2 113 592
Net carrying amount as at 31.12.2012.	464 212	0	123 179	100 170	38 663	0	726 224
Net carrying amount as at 31.12.2013.	666 533	0	109 357	347 674	5 230 874	313 118	6 667 556

	Land, building and construction	Long-term investm. in rented fixed assets	Equipment and machinery	Other fixed assets and equipment	Construction in progress	Advance payments for fixed assets	Total
Purchase or revaluated value as at 31.12.2013.	1 852 290	0	766 891	617 975	5 230 874	313 118	8 781 148
Purchased in the reporting year (+)	342 337	0	0	532 886	1 371 393	0	2 246 616
Transferred (+/-)	5 248 801	0	0	0	-5 209 226	-39 575	0
Disposed in the reporting year (-)	0	0	-23 502	-12 742	0	0	-36 244
Revaluated in the reporting year (+/-)	0	0	0	0	-21 648	0	-21 648
Purchase or revaluated value as at 31.12.2014.	7 443 428	0	743 389	1 138 119	1 371 393	273 543	10 969 872
Accumulated depreciation as at 31.12.2013.	1 185 757	0	657 534	270 301	0	0	2 113 592
Calculated in the reporting year (+)	242 366	0	22 075	118 428	0	0	382 869
Disposed in the reporting year (-)	0	0	-23 502	-12 742	0	0	-36 244
Accumulated depreciation as at 31.12.2014.	1 428 123	0	656 107	375 987	0	0	2 460 217
Net carrying amount as at 31.12.2013.	666 533	0	109 357	347 674	5 230 874	313 118	6 667 556
Net carrying amount as at 31.12.2014.	6 015 305	0	87 282	762 132	1 371 393	273 543	8 509 655

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 EUR	Book value EUR
<i>Land</i>	64 600 140 090	48 549	116 586
<i>Building and construction</i>	64 600 140 091	81 113	642 748
<i>Land</i>	17 000 220 107	67 487	44 071
<i>Building and construction</i>	17 000 220 107	410 395	162 000
<i>Land</i>	64 960 060 030	15 173	62 180
<i>Building and construction</i>	64 960 060 030	145 512	4 987 720

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

	31.12.2014.	31.12.2013.
	EUR	EUR
Purchase value	36 244	61 589
Accumulated depreciation (-)	36 244	61 589
Net carrying amount	0	0
Spare parts, materials and proceeds obtained from disposal of fixed assets (+)	0	0
Profit (+) or loss (-) from disposal of fixed assets	0	0

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

	Residual value as at 31.12.2013.	Purchased in 2014	Residual value of disposed fixed asset	Value for depreciation calculation	Rate	Depreciation	Residual value as at 31.12.2014.
Group I	422 199	5 528 958	0	5 951 157	10%	595 116	5 356 041
Group III	712	1 577	0	2 289	70%	1602	687
Group IV	187 846	494 412	0	682 258	40%	272903	409 355
Group IV	43 348	36 897	0	80 245	30%	24074	56 172
Total	654 105	6 061 844	0	6 715 949		893 695	5 822 254

5. Biological assets

	31.12.2014.	31.12.2013.
Residual value at the beginning of the year	2 533 167	2 519 947
Purchased breeding animals	3 182 260	0
Sold breeding animals (-)	-21 355	-304
Increase in value due to reproduction (+)	5 189 764	2 663 135
Decrease in value due to degeneration (-)	-89 183	-108 554
Decrease due to finished production (-)	-4 080 881	-2 541 057
Residual value at the end of the year	6 713 772	2 533 167

NOTES TO FINANCIAL STATEMENTS (continued)

NOTES TO THE BALANCE SHEET

6. Raw materials and consumables

	31.12.2014.	31.12.2013.
Forage	211 278	540 225
Medication	721	1 853
Fuel for heating	6 422	10 469
Repair materials	798	798
Fuel, gas	1 517	629
Chips for treatment	9 507	0
Total	230 243	553 974

7. Unfinished production

	31.12.2014.	31.12.2013.
Raw mink skins	1 084 582	0
Total	1 084 582	0

8. Finished production and goods for sale

	31.12.2014.	31.12.2013.
Mink skins	2 104 194	3 052 658
Finished goods	70	2 172
Total	2 104 264	3 054 830

9. Trade receivables

	31.12.2014.	31.12.2013.
Carrying amount of trade receivables	109 931	2 319
Allowance for doubtful receivables (-)	0	0
Net trade receivables	109 931	2 319

10. Other receivables

	31.12.2014.	31.12.2013.
Overpaid taxes to the budget or tax advances	10 488	38 977
Advance payments for services	32 310	33 567
Allowance for doubtful receivables	-5 514	0
Security for equipment	114	0
Total	37 398	72 544

In the reporting year provision for advance payment was made in the amount of EUR 5 514.

11. Prepaid expenses

	31.12.2014.	31.12.2013.
Advertising in catalogs	856	1 139
Insurance	10 488	6 961
Various expenses	3	1 044
Total	11 347	9 144

12. Cash

	31.12.2014.	31.12.2013.
Cash on hand	40 008	36 739
Cash in bank	3 770	544 005
Total	43 778	580 744

NOTES TO FINANCIAL STATEMENTS (continued)

NOTES TO THE BALANCE SHEET

13. 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 or EUR 1,423 per share.

On the 31th of December 2014 500 000 bearer's shares were publicly traded.

Capital structure	31.12.2014.			31.12.2013.			
	Class of shares	% of equity	Number of shares	EUR	% of equity	Number of shares	EUR
Bearer's shares with voting rights - publicly traded		100%	500 000	711 436	100.0%	500000	711 436
		100%	500 000	711 436	100%	500 000	711 436

List of shareholders and their position held in the Company on April 2014

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%
Total:	x	100%

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 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.

14. Provisions	31.12.2014.	31.12.2013.
Provisions for leaves in the beginning of the year	69 782	43 930
Increase / (decrease)	1 324	25 852
Provisions for leaves at the end of the year	71 106	69 782

15. Loans from credit institutions (total)

Name of credit institution, loan terms	Maturity	Rate	31.12.2014.	31.12.2013.
ABLV Bank	January 2015	overdraft	28	0
Nordea Bank Finland Plc	January 2014	overdraft	0	2
Citadele banka a/s	January 2014	overdraft	0	4
Citadele banka a/s	Mai 2022	6 M EURIBOR EUR + 4.5%	2 951 718	3 984 041
Citadele banka a/s	Mai 2022	7 M EURIBOR EUR + 4.2%	4 201 862	897 500
Total			7 153 608	4 881 547

Liabilities to JSC "Citadele Banka" 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 "Citadele Banka".

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

	31.12.2014.	31.12.2013.
Long-term and short-term parts of loans from credit institutions		
Long-term:		
from 2 to 5 years	6 957 041	4 500 541
Total long-term:	6 957 041	4 500 541
Short-term:	196 567	381 006
Total	7 153 608	4 881 547

	31.12.2014.	31.12.2013.
16. Other loans (total)		
SIA Nordea Finance Latvia leasing agreement	41 629	41 913
SIA UniCredit Leasing leasing agreement	731 753	0
Loans from physical person	328 500	0
Total	1 101 882	41 913

Company's liabilities to SIA Nordea Finance Latvia and SIA UniCredit Leasing are ensured with leasing object car and equipment.

	31.12.2014.	31.12.2013.
Long-term and short-term parts of other loans		
Long-term:		
from 2 to 5 years	915 573	10 398
Total long-term:	915 573	10 398
Short-term:	186 309	31 515
Total short-term:	186 309	31 515
Total	1 101 882	41 913

	31.12.2014.	31.12.2013.
17. Further period income		
ELFLA public funding to the project ""Establishment of ur animal breeding closures""	2 294 808	1 921 438
Total	2 294 808	1 921 438
Long-term:		
from 2 to 5 years	0	
over 5 years	2 199 191	1 825 366
Total long-term:	2 199 191	1 825 366
Short-term:	95 617	96 072
Total	2 294 808	1 921 438

	31.12.2014.	31.12.2013.
18. Deferred tax liabilities		
Deferred tax liabilities at the start of the year	35 852	0
Reporting year (income) / costs	76 426	35 852
Total	112 278	35 852

Deferred tax liabilities are made for time deflection caused temporary differences, arising from the differences in the tax and financial accounting. The deferred tax liabilities were calculated by using the tax rate 15%.

The mentioned differences are mainly caused by the rate of depreciation of fixed assets differences in tax and financial accounting.

	31.12.2014.	31.12.2013.
19. Prepayments received from customers		
Prepayments received from customers (auction houses)	2 297 589	2 344 865
Customer prepayments	4 959	0
Total	2 302 548	2 344 865

Company has pledged inventories and animal herd to ensure advance payments from Saga Furs Oyj for fur pups and fur skins from growing season 2013/2014 - 2014/2015. Pledge have ben registered as a first round commercial pledge.

	31.12.2014.	31.12.2013.
20. Taxes and state social insurance payables		
State social insurance payments	99 161	0
Personal income tax	64 796	11 545
Unemployment risk duty	34	36
Company income tax for the accounting year	55 853	82 195
Natural resources tax	329	0
Immovable property tax	5 056	0
Company car tax	1 414	487
Total	226 643	94 263

NOTES TO FINANCIAL STATEMENTS (continued)

NOTES TO THE BALANCE SHEET

Tax and duty obligations flow in 2014

	Balance as at 31.12.2013.	Calculated in 2014	Penalty in 2014	Paid in 2014	Repaid in 2014	Deflection to other taxes	Balance as at 31.12.2014.
State social insurance payments	-428	278 384	641	10 244	0	169 192	99 161
Personal income tax	11 545	140 270	2 972	20 273	0	69 718	64 796
Value added tax	-38 335	-328 099	3	0	-96 391	-259 552	-10 488
Immovable property tax	0	9 427	225	4 596	0	0	5 056
Company income tax for the accounting year	82 195	0	1 817	7 337	0	20 822	55 853
Natural resources tax	-214	1 170	5	846	0	-214	329
Company car tax	487	1 371	0	444	0	0	1 414
Unemployment risk duty	36	434	0	402	0	34	34
Total	55 286	102 957	5 663	44 142	-96 391	0	216 155

including:

Taxes receivable (-)	-38 977	-10 488
Taxes payable (+)	94 263	226 643

Taxes receivable as at 31.12.2014. are shown in the item "Other receivables"

21. Other payables

	31.12.2014.	31.12.2013.
Wages and salaries	56 847	35 840
Deductions from wages and salaries	884	230
Deposited salary, compensation for damages	958	947
Advance person's debt settlement	20	410
Total	58 709	37 427

22. Accrued liabilities

	31.12.2014.	31.12.2013.
Communication expenses in December	201	20
Fees for sworn auditors company for audit of annual report	4 000	4 270
Electricity in December	14 746	14 964
Services in December	7 114	5 345
	26 061	24 599

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

23. Net turnover	31.12.2014.	31.12.2013.
Revenue from mink skins sales	2 692 539	3 722 146
Revenue from silver fox skins	0	132
Revenue from fur products	2 736	0
Revenue from forage sales	72 706	0
Revenue from breeding animals sales	47 928	0
Revenue from services	63 453	0
Total	2 879 362	3 722 278

23a. Net turnover by geographical segments

Latvia	104 039	9 936
Finland	2 690 966	3 712 342
Lithuania	84 357	0
Total	2 879 362	3 722 278

24. Cost of sales	31.12.2014.	31.12.2013.
Forage	2 695 543	1 973 229
Medication	78 194	193 580
Wages and salaries	647 000	525 862
State social insurance payments, unemployment risk duty	152 022	125 608
Depreciation	364 773	104 955
Electricity costs	190 040	172 613
Security costs	3 962	2 967
Equipment maintenance services	10 899	28 667
Insurance costs	19 035	1 894
Chips for treatment	11 202	13 556
Utilization and other expenses	98	8 588
Dry waste	3 021	1 053
Natural resources tax	1 170	729
Staff training, business trip expenses	1 899	464
Fuel, gas	56 545	37 648
Fuel for heating, chips	44 828	38 560
Repair materials	103 936	121 916
Current repairs services	615	19 906
Various services (transport expenses etc.)	178 247	65 539
Provisions for leaves and state social insurance payments	3 192	16 828
Cost of the fallen animals (prime cost)	103 013	108 555
<i>Total prime cost of animals and skins</i>		
Prime cost of the sold fur skins and products in the reporting year	3 771 549	1 983 267
Prime cost turnover of grown fur animals and processed skins in reporting year	-4 925 875	-3 520 469
Total	3 514 908	2 025 515

NOTES TO FINANCIAL STATEMENTS (continued)

NOTES TO THE INCOME STATEMENT

25. Sales expenses

Commission to auction houses (Finland)
Advertising expenses

Total

31.12.2014.	31.12.2013.
113 399	76 376
6 245	5 542
119 644	81 918

26. Administrative expenses

Communication expenses
Office maintenance 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

Total

31.12.2014.	31.12.2013.
5 037	5 112
1 664	2 649
24 500	71 975
175 356	146 260
0	9 024
41 055	35 124
18 096	9 380
43 918	23 056
21 702	65 480
36 728	45 644
13 824	15 003
35 176	36 854
417 056	465 561

27. Other operating income

Income from service provision and work execution
Subsidies for purchase of breeding animals
Received EU co-financing
Decrease of provisions for leaves
Other income

Total

31.12.2014.	31.12.2013.
0	27 893
53 434	35 010
101 522	2 597
1 868	0
233	139
157 057	65 639

28. Other operating expenses

Losses from foreign currency exchange rate fluctuations and buying/selling
Allowance for doubtful debts
Construction in progress write-off
Various expenses

Total

31.12.2014.	31.12.2013.
11	22 481
0	2 672
21 648	0
52 551	49 007
74 210	74 160

29. 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

Total

31.12.2014.	31.12.2013.
107 996	50 105
21 046	1 811
337 637	174 367
15 510	3 680
482 189	229 963

NOTES TO FINANCIAL STATEMENTS (continued)

NOTES TO THE INCOME STATEMENT

	31.12.2014.	31.12.2013.
30. Deferred tax income or expenses		
Temporary difference in provisions for annual leave	-71 106	-69 782
Temporary difference in tangible assets depreciation	819 627	308 800
Temporary differences of the loss amounts, that reduce the taxable	0	0
Deferred tax liabilities (+), assets (-)	748 521	239 018
Deferred tax liabilities (+), assets (-) 15%	112 278	35 852

	31.12.2014.	31.12.2013.
31. Other taxes		
Immovable property tax in the reporting year	9 427	9 333
	9 427	9 333

OTHER NOTES TO FINANCIAL STATEMENTS

32. Fees for sworn auditors company

	31.12.2014.	31.12.2013.
Audit of annual report	4 000	4 270
Translation of annual report	0	285
	4 000	4 555

33. Guarantees and off-balance-sheet liabilities

Guarantees are not issued

There is non Off-balance-sheet liabilities

34. Received financial assistance and other forms of financial

In the reporting year the Company received State aid for breeding in unconventional industries in the amount of EUR 31 237, State aid for paid insurance for farm animals in the amount of EUR 7197 and State aid to primary producers of agricultural products for partial interest repayment in the amount of EUR 15 000. Fundings were received in September and November 2014.

In reporting year Company was grated with European Agricultural Fund's for Rural Development public funding project's "Development of fur animal farms" support in amount of EUR 468 987. Granted amount of co-financing covers 60% of construction costs.

Implementation of the project began on 1st of October 2012 and was completed on 20th of February 2014. Public fund is received in parts starting with May 2013 to April 2014.

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

Company had no liabilities concerning failures to comply with finacation 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.

35. Transactions with related parties

Expences

	31.12.2014.	31.12.2013.
Expences for legal servciss from the member of Council	35 853	44 963
A.Jaunsleines legal office Sole Proprietor		
Expences for accounting services from the member of	33 311	30 165
Council S.Neimane LTD "SN Finances" (Board and		
Total	69 164	75 128

In 2014 Company has received and repaid short-term loan with no interest applyed from Council member and shareholder Agrita Jaunsleine and Chairman of the Board and shareholder Gundars Jaunseinis.

For all transactions with related parties are used market prices.

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

36. Liabilities to former employees

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

Expences

Compensation for damage

Total

31.12.2014.	31.12.2013.
2299	2257
2299	2257

37. Events after the reporting period

In the 1st quarter of 2015 JSC "Grobiņa" has met all preconditions included in restructuring plan accepted by JSC "Citadele banka", among them: 800 000 EUR have been paid until 31.03.2015, agreements concerning restructuring parts of short-term loans into long-term loans have been reached with unsecured creditors, agreement has been concluded with investment fund FlyCap on granting long-term loan in the amount of 1million EUR. Taking into account the implementation of restructuring plan, the Management of JSC "Citadele banka" has made a decision to apply long-term repayment schedules on issued loans.

On May 29, 2015 JSC "Grobiņa" has concluded 2 agreements with JSC "Citadele banka", including:

- Contract on loan obligations of 20.02.2013. The loan agreement No.2.1.17-13/07 on repayment of unpaid part of loan EUR 3 559 666,67 up to 28.05.2022, in accordance with the payment schedule. The annual interest rate applied to the loan is 4,5% fixed part + 6 months Euribor.

- Contract on loan obligations of 20.02.2013. The loan agreement No.2.1.17-13/06 on repayment of unpaid part of loan EUR 2 873 000 up to 28.05.2022, in accordance with the payment schedule. The annual interest rate applied to the loan is 4,5% fixed part + 6 months Euribor.

The financial statements have been signed from page 1 to page 28.

Chairman of the Board

Gundars Jaunsleinis

Member of the Board

Gunta Isajeva

Member of the Board

Ireneusz Sajewicz

1 June 2015

Branch "KAPITĀLS":

45 Graudu Street., Liepaja, LV-3401
Phone +371 63422637, fax +371 63407021
m.t.: +371 29259804
kapitals@e-liepaja.lv, kapitals@me.com
www.auditadvice.lv www.nexia.com

AUDIT ADVICE LLC is a member firm Nexia International
a worldwide network of independent accounting and consulting firms

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 7 to 28 of the accompanying annual report, which comprise the balance sheet as of 31 December 2014 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 2014, 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 2014 set out on pages 4 to 6 of the accompanying annual report for 2014 and did not identify material inconsistencies between the financial information contained in the management report and that contained in the financial statements for 2014.

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



Jansone

Riga, Latvia
June 1st, 2015