

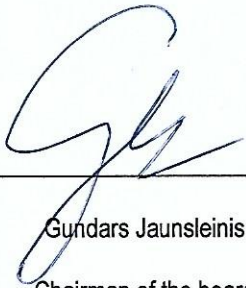
Statement of Management Responsibility

Management is responsible for the Company's Financial Statements in accordance with the Annual Accounts Act. Financial accounts present fairly the financial position at the end of the year, results of operations and cash flows for the year.

The Board confirms that the financial statements, which you can find in pages 4. to 11. preparing and decisions and observations have been prudent and reasonable. The Management Board confirms that the financial statements prepared in accordance with the action there [rance principu.

Management is responsible for keeping proper accounting records, assets of the Company, as well as fraud and other irregularities detection and prevention. Management is responsible for Latvian statutory requirements.


Liepaja, 31st of August 2017



Gundars Jaunsleinis
Chairman of the board



Gunta Isajeva
Member of the board



Ireneusz Sajewicz

Member of the board

JOINT STOCK COMPANY “GROBINA”
(REGISTRATION NUMBER 40003017297)

ANNUAL REPORT
FOR 6 MONTHS PERIOD ENDED 30 JUNE 2016

(27TH financial year)

PREPARED IN ACCORDANCE WITH
THE LAW OF THE REPUBLIC OF LATVIA
ON THE ANNUAL REPORT AND CONSOLIDATED ANNUAL REPORT
UNAUDITED

Liepaja, 2017

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Information on the Company

Name of the company	Joint stock company „Grobina”
Legal status of the company	Public joint stock company
Number, place and date of registration	40003017297 Liepaja, 23d of August 1991
Legal address	Lapsu street 3, Dubeni, Grobina district, Latvia, LV-3438
Board of the Company	Gundars Jaunsleinis – chairman of the board, since 01.06.2011 Gunta Isajeva – member of the board, since 06.08.2010 Ireneusz Sajewicz – member of the board, since 02.04.2015
Council of the Company	Ojars Osis – chairman of the council, since 01.06.2011 Argita Jaunsleina – vice president of the council, since 01.06.2011 Janis Liepins – member of the council, since 18.08.2015 Girts Milgravis – member of the council, since 18.08.2015 Evija Sivare – member of the council, since 18.07.2016 Silvija Neimane – member of the council, since 20.07.2007 to 03.05.2016
Financial year	1 st of January 2017 to 30 th of June 2017
Previous financial year	1 st of January 2016 to 31 st of December 2016

Profit or losses statement

	2017	2016
	EUR	EUR
Net turnover:		
of the agricultural activity	2764452	2750528
Costs of goods sold or services provided	(2972743)	(4520662)
Gross profit or lossess	(208291)	(1770134)
Distribution expenses	(133370)	(13480)
Administrative expenses	(139588)	(312105)
Other operating income	247221	241069
Other operating expenses	(13844)	(6045)
Interest and similar expenses, incl.:		
for other parties	(89963)	(539060)
Profit or lossess before corporate income tax	(337835)	(2399755)
Changes in deferred tax assets or liabilities	-	133030
Profit or lossess for the financial year	(337835)	(2266725)

Notes are an integral part of these financial statements.

Liepaja, 31th of August 2017

 Gundars Jaunsleinis
 Chairman of the board

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 Member of the board

 Ireneusz Sajewicz
 Member of the board

 Loreta Šaicāne
 Accountant

Balance sheet

ASSETS		
	30.06.2017.	31.12.2016.
	EUR	EUR
NON-CURRENT ASSETS		
Fixed assets		
Immovable properties:		
land plots, buildings and engineering structures	6176837	6264654
Fauna and flora:		
draft animals or productive animals and perennial plantings	3770361	3841976
Technological equipment and machinery	5057382	5137286
Other fixed assets	773167	789104
Fixed assets under development and construction in progress	12792	-
Advances for fixed assets	27354	27354
TOTAL	15817893	16060374
Non-current financial investments		
Deferred tax assets	567476	567476
TOTAL	567476	567476
TOTAL NON-CURRENT ASSETS	16385369	16627850
CURRENT ASSETS		
Inventories		
Raw materials and consumables	40775	122869
Finished goods and goods for sale	641923	3388194
Advances for inventories	31770	26613
Fauna and flora		
animals and annual plantings	1232343	252696
TOTAL	1946811	3790372
Account receivable		
Trade receivables	184106	183937
Other receivables	64636	135709
Deferred expenses	6684	5819
TOTAL	255426	325465
Cash and bank	749	22792
TOTAL CURRENT ASSETS	2202986	4138629
TOTAL ASSETS	18588355	20766479

Notes are an integral part of these financial statements.

Balance sheet

EQUITY, PROVISIONS AND LIABILITIES		
	30.06.2017	31.12.2016
EQUITY	EUR	EUR
Share capital	711436	711436
Reserves:		
other reserves	77481	77481
Retained earnings or uncovered losses brought forward from previous years	(890319)	1376406
Current year profit or losses	(337835)	(2266725)
TOTAL EQUITY	(439237)	(101402)
LIABILITIES		
Non-current liabilities		
Loans from banks	5682667	6057667
Other borrowings	2755697	2362122
Trade payables	1669903	1669903
Taxes and state social insurance payments	340679	359570
Deferred income	4651975	2041707
TOTAL	15100921	12490969
Current liabilities		
Loans from banks	337500	275000
Other borrowings	1315270	87400
Advances from customers	344176	1852287
Trade payables	1398240	5148304
Taxes and state social insurance payments	314158	203965
Other creditors	126939	571126
Deferred income	49159	98317
Accrued liabilities	41229	140513
TOTAL	3926671	8376912
TOTAL LIABILITIES	19027592	20867881
TOTAL EQUITY, PROVISIONS AND LIABILITIES	18588355	20766479

Notes are an integral part of these financial statements.

Liepaja, 31th of August 2017

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Accountant

Cash flow statement

	2017 EUR	2016 EUR
Cash flow from operating activities		
Profit or losses before corporate income tax	(337835)	(2399755)
Adjustments for:		
depreciation and impairment of fixed assets	184621	907691
interest and similar revenue	89963	525344
Profit or loss prior to changes in current assets and current liabilities	(63251)	(966720)
Increase or decrease of account receivable	70039	254697
Increase or decrease of inventory	1843561	1517296
Increase or decrease of account payables and other liabilities	(1480134)	(397616)
Increase or decrease in biological assets	71616	-
Gross cash flow generated from operating activities	441831	407657
Interest payments	(89163)	(255846)
Net cash flow generated from operating activities	352668	151811
Cash flow from investing activities		
Acquisition of fixed and intangible assets	(13754)	(30822)
Net cash flow generated from investing activities	(13754)	(30822)
Cash flow from financing activities		
Loans received	77500	-
Repayment of loans	(323500)	(100000)
Expenses for the leasing of fixed assets	(114957)	-
Net cash flow generated from financing activities	(360957)	(100000)
Net cash flow in the financial year	(22043)	20989
Cash and cash equivalents at the beginning of the financial year	22792	1803

Notes are an integral part of these financial statements.

Liepaja, 31th of August 2017

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Accountant

Statement of changes in equity

	Share capital EUR	Reserves EUR	Retained earnings or uncovered losses brought forward from previous years EUR	Current year profit or losses EUR	Total EUR
Opening balance 31.12.2015	711436	77481	619503	756903	2165323
Increase/decrease in retained earnings	-	-	-	(2266725)	(2266725)
Prior year adjustments	-	-	756903	(756903)	-
Opening balance 31.12.2016	711436	77481	1376406	(2266725)	(101402)
Increase/decrease in retained earnings	-	-	-	(337835)	(337835)
Prior year adjustments	-	-	(2266725)	2266725	-
Closing balance 30.06.2017	711436	77481	(890319)	(337835)	(439237)

Notes are an integral part of these financial statements.

Liepaja, 31th of August 2017

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 Accountant

Notes to the Financial statements

1. Summary of accounting policies

General principles

A The main business activity of JSC "GROBINA" is fur-farming of minks for fur production and farm animals feed production.

Financial statements are prepared in accordance with the Laws of the Republic of Latvia "On Accounting" and "On the Annual Report and Consolidated Annual Report" (the Law).

The financial statements have been prepared according to the historical cost accounting principle. The income statement is prepared in accordance with the function of expense method.

Foreign currency conversion in euro

This financial statement is prepared in euro (EUR), which is the functional currency of the Company and the official currency of the Republic of Latvia.

All transactions denominated in foreign currencies are converted into euro at the exchange rate set by the European Central Bank on the day of transaction. Monetary assets and liabilities denominated in foreign currencies are translated into euro in accordance with the official exchange rate set by European Central Bank for the last day of the financial year. The profit or loss resulting from the exchange rate fluctuations of the foreign currency are recognized in the income statements in the respective period on net amount.

Intangible investments and fixed assets

Intangible investments and fixed assets are initially recognized at the purchase cost. Purchase cost includes costs, directly related to the acquisition of intangible and fixed assets. In financial statements the intangible and fixed assets are recognized at purchase cost less depreciation.

Depreciation is calculated on a straight-line basis applying the following rates of depreciation set by the management, based on the estimated useful life of the fixed assets:

Buildings	- 20 years;
Technological equipment and machinery	- 5 - 15 years;
Other machinery and equipment	- 5 years.

The Company capitalizes its fixed assets valued over EUR 100 with useful life exceeding 1 year. Depreciation for improvements and other low costs items with the value less than EUR 100 is recognized by 100 % after commissioning.

If sufficient evidence is acquired that the future economic benefit associated with subsequent repair or reconstruction costs will flow to the Company, which exceeds the return set previously, costs are capitalized as additional costs to the fixed asset. Capitalizing the cost of replaced parts, the carrying amount of the part replaced is derecognized and charged to the income statement. All other repair and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Net gains or losses from disposal of fixed assets is calculated as the difference between the carrying amount of the fixed asset, write-off of related assets revaluation reserve (if any) and proceeds from sale, and recognized in the income statements during the period when disposal are incurred.

If it is possible to conclude due to any kind of occurrence or circumstances that residual value of fixed or intangible assets could exceed its recoverable value, appropriate value of fixed or intangible asset is to be decreased until recoverable value. Recoverable value is calculated as the highest of fair value less costs to sell or value in use.

Inventories

Inventories are recognized at the lower of purchase or production cost and net realizable value. Purchase costs consists of purchase value and overheads, which have been acquired, by delivering inventories at their current position and value. The balance value of the inventories is calculated by using the weighted average method. When the net realizable value of inventories is lower than its costs, the difference is recognized as provisions for the decrease of value.

Account receivable

Trade receivables are recognized at invoiced amounts. After the initial recognition account receivables are measured at net amount less provisions for doubtful debts. Provisions for doubtful receivables are recognized when the management of the Company considers that it is probable that the total amount of receivables will not be collected in full.

1. Summary of accounting policies (continuation)

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash, the balances of the current bank account and other current liquid financial assets with maturities up to 90 days.

Borrowings

Borrowings are recognized at the proceeds, net of transaction costs incurred.

Subsequently, borrowings are stated at amortized costs using the actual interest method. Any difference between the original amount borrowed net of transaction costs and the redemption value is recognized in the income statement gradually during the loan use period or in accordance with accounting policy capitalized at the value of construction in progress.

Capitalization of borrowing and other costs

The cost of asset under development is increased by borrowing costs and other direct costs during the period of time that is required to complete and prepare the asset for its intended use. The cost of asset is not increased by borrowing costs during the period with no active development of asset.

Accrued liabilities for unused annual leave

Amount of accumulated unused annual leave is determined by multiplying the average day rate of employees for the last six months of the financial year by the amount of accrued but unused annual leave at the end of the reporting year.

Provisions, contingent liabilities and assets

Provisions are liabilities related to current or previous years events and at the preparation of financial statements it is probable that an outflow of resources will be required to settle the obligation and its amount can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation.

Income recognition and revenue

Revenue contains the total value of goods and services sold during the year excluding discounts and value added tax.

Income is recognized according to the following principles:

Sales of goods - after significant ownership risk and rewards have been passed to the buyer;

Rendering of services - under the percentage of completion method;

Income from fines and penalties - at the moment of receiving the payments;

Interest income - on an accrual basis;

Dividends - at the moment of acquiring legal rights to receive them..

Corporate income tax

Corporate income tax for the financial year is included in the financial statements based on the management's calculations prepared in accordance with the tax legislation of the Republic of Latvia.

Deferred tax is calculated according to the liability method with respect to all temporary differences between the values of assets and liabilities in the financial statements and their values for tax calculation purpose (tax basis). However, where the deferred income tax arise from first recognition of the assets and obligations resulted from transactions, which are not the business combination, and at the moment of transaction do not affect profit or loss neither in the financial statements nor for the taxation purposes, the deferred income tax is not recognized. The deferred tax liability is calculated based on the tax rates that are expected to be applied when the temporary differences reverse. The temporary differences mainly arise from different fixed asset depreciation rates. In cases, when the total result of the deferred tax calculation is an asset, it is recognized in the financial statements only if a future taxable profit will be available against which the temporary differences can be utilized.