

Joint Stock Company "GROBIŅA"

(unified registration number 40003017297)

ANNUAL REPORT

FOR PERIOD

COMMENCED 1 JANUARY 2009

ENDED 31 DECEMBER 2009

The items of the Financial Statement were converted to EUR according to the exchange rate fixed by the Bank of Latvia as at 31 December 2009: LVL 1 = EUR 0.702804 and it is only for informative purposes.

Dubeņi, Grobiņa Municipality

Contents

	Page
Company information	3
Management Report	from 4 to 7
Balance Sheet	from 8 to 9
Profit and Loss Statement	10
Cash Flow Statement	11
Statement of Changes in Shareholders' Equity	12
Notes to Financial Statements	from 13 to 29
Audit Report	30

Company information

Company name	Joint stock company "Grobiņa"
Legal status of the Company	Public joint stock company
Registration number, place and date	40003017297 Riga, 12 July 2004
Address	Lapsu iela 3, Dubeņi, Grobiņa Municipality Latvia, LV-3438
Names and legal addresses of related and associated companies (indicating the Company's percentual share in the equity of these companies)	Not applicable
Company's main operation	Fur-farming, growing, processing and sales of agricultural produce, trade and mediation, renting out premises
Names and positions of the Board members:	
Chairman of the Board	Daina Kalniņa
Member of the Board	Gunta Isajeva
Member of the Board	Andris Vītoliņš
Names and positions of the Council members:	
Chairman of the Council	Jānis Siliņš
Member of the Council	Jānis Briedis (until 21.03.2010)
Member of the Council	Ojārs Petrevics (until 21.03.2010)
Member of the Council	Genādijs Jefimovs (until 21.03.2010.)
Member of the Council	Silvija Neimane (until 21.03.2010.)
Deputy Chairman of the Council	Gunārs Laugalis (since 22.03.2010)
Member of the Council	Jānis Meijubers (since 22.03.2010)
Member of the Council	Aivars Žvagulis (since 22.03.2010)
Member of the Council	Dagmāra Šlosberga (since 22.03.2010)
Reporting year	1 January 2009 – 31 December 2009
Name and address of the Auditor	
Marija Jansone Certified Auditor (LACA Certificate No.25)	
"Zvērinātu revidentu firma KAPITĀLS", Ltd. Certified auditors commercial company Licence No.6 Liepāja, Graudu 23, LV – 3401, Latvia	

Management Report

Type of operation

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

Company's operation during the reporting year

Over 12 months of 2009 the net turnover of the Company was LVL 1 328 769. Subsidies received, which amount to LVL 33 578, are the government's support for determining genetic quality of the fur animals. Compared with the 12 months period of the previous year it reduced by 40%. There was decrease in both the number of sold furs and their sales price. The average number of employees employed by the JSC "Grobiņa" over 12 months of 2009 was 108 people, in the respective period of year 2008 the Company employed 123 people. Over 12 months of 2009 the losses constituted LVL 978 502. The Company's losses were mainly related to the global economic recession which caused considerable drop in fur demand on the market and in the prices in year 2009 upon selling the animal furs produced in 2008. Besides aforementioned due to uncharacteristic winter weather conditions in year 2009 the specific gravity of fallen fur animals increased materially in comparison with the previous reporting periods, which resulted in extra losses incurred by the Company in the last quarter of year 2009. As a result, over 12 month period of year 2009 the net loss per

share constituted LVL 1.96 or EUR 2.78; over 12 month period of year 2008 the per share earnings amounted to LVL 0.018 or EUR 0.025.

In 2009 the complex of measures taken by the management of the JSC "Grobiņa" aimed at lowering the prime cost of fur animals (cutting down the wages fund by 49%, decrease of the expenses related to fur animal breeding by 31%, improvement of the produced fur quality and other measures) will have impact on the Company's financial indices in year 2010 upon selling the furs of the animals bred in 2009.

In year 2009 the whelping rates were on the same level as in the previous year - 4.11 puppies from one mink mother. The number of furs sold in 2009 reduced by 20%. The majority of furs were sold in the Finnish and Danish auction houses, as in the previous years. The average sale price dropped by 43%.

Taking into account the amount of losses in the reporting period according to the Republic of Latvia Commercial Law, Section 271, the Company convened an extraordinary shareholders' meeting on 4 March 2010, during which the Board presented a report related to the Company's losses. Irrespective of the Company's losses insolvency features stipulated in the Republic of Latvia "Insolvency Law", Section 50, are not recognisable regarding the JSC "Grobiņa". The Company does not need a remedy at law either, as the Company's solvency is not limited, which is substantiated by the Company's liquidity ratio 1.83.

In 2009 the JSC "Grobiņa" paid all taxes, wages and made other payments on regular basis and without delay. The average salary in 2009 was LVL 324.24. The taxes paid amounted to LVL 208 000.

Since 2006 the Company has owned 2 500 enterprise shares, which are held in the closed register.

The Board of the JSC "Grobiņa" has prepared a Report on Corporate Governance in year 2009. The Report was prepared according to the "Principles of Corporate Governance and Recommendations on Their Implementation" issued by NASDAQ OMX Riga. The Board *pro rata* has been implementing the recommended principles of corporate governance in the JSC "Grobiņa" operation, thus improving the governance quality.

Research and Development measures

In year 2010 the Company is planning to implement additional measures aimed at elimination of the Company's further losses, among them increase of produced fur quality by purchasing extra new herd of qualitative breed animals. In year 2010 the Company has planned to invest on average EUR 140 000 in purchase of breed animals. It is planned to make additional investments in production equipment, structures and machinery amounting to LVL 86 000. In the next reporting year the planned revenues from sales amount to LVL 1.9 million.

In February 2010 independent experts from "Eiroeksperts", Ltd. made evaluation according to market value - real estate was evaluated at LVL 800 000, equipment, buildings, structures, technological equipment and machinery - LVL 494 000.

In order to ensure stability the Company gave attention to attraction of clients, cost optimisation and new markets research.

Financial risk management

The Company's operation is subject to various financial risks, including credit risk, foreign currency exchange rate and interest rate fluctuation risks. The Company's management is trying to minimize negative impact of potential financial risks on the Company financial position.

The Company is exposed to the foreign currency exchange rate fluctuation risk incurring due to different currencies. Majority of the Company's loans are in EUR. As the goods are exported to the markets where the dominating currency is EUR and Danish krone, which have been stable currencies, the Company management does not envisage serious financial risks in near future. Sales development tendencies in recent years show that the Company occupies stable place on the markets where it sells its goods and the goods produced are competitive.

The Company's loans in EUR are charged a variable interest rate. The Company's management is considering the possibilities to use financial instruments, which would minimize interest rate risk.

Financial resources, which potentially expose the Company to certain credit risk concentration level, are mainly cash and trade debtors. At the end of the reporting period the Company was not exposed to considerable credit risk level as no debt exceeded 50% of total trade debtors. The Company has implemented and complies with the credit policy by selling goods on credit only to customers who have good credit history and not exceeding the credit limit fixed for each customer. Trade debtors are shown as recoverable value. The Company's partners in cash transactions are local financial institutions with relevant credit history.

The Company follows prudent liquidity risk management ensuring that adequate credit resources are available for fulfilling its liabilities in fixed terms. On 31 December 2009 the Company's current assets exceeded short-term liabilities by LVL 677 899. The short-term liabilities include long-term component of long-term bank loan, which according to the subsequent agreement as at 31.12.2009 is a credit line and according to the subsequent agreement concluded on 03.02.2010 (restructured from the credit line) is a long-term credit the repayment date of which is going to be postponed until 30 October 2015. In 2010 the Company shall repay EUR 100 000. The Company management believes that the Company will have sufficient cash and its liquidity will not be endangered.

Financial results

Total liquidity ratio = 1.83

Liquidity intermediary coverage ratio = 0.07

Management Report (continued)

Financial results (continued)

Absolute liquidity ratio = 0.04

Proportion of liabilities in Balance Sheet = <0,45

Liabilities to shareholders' equity ratio = <0.83

Stock turnover ratio = 1.27

All assets turnover ratio = <=0.57

Return on sales (%) = -73.64%

Return on shareholders' equity (%) = -0.78%

Circumstances and events after the end of the reporting year

On 3 February 2010 the JSC "Grobiņa" and the JSC "Ge money Bank" concluded an additional agreement on restructuring of the credit line into credit with the date of repayment in October 2015.

Fulfilment of the Company's liabilities towards the JSC "Ge Money Bank" is secured and supported with mortgage of all real estate owned by the Company and with commercial lien on all Company's property as integral property at the moment of mortgage.

The aforementioned events are non-corrective events, which are only indicative of circumstances having occurred after the date of balance sheet.

On 4 March 2010 the JSC "Grobiņa" extraordinary shareholders' meeting elected a new Company's Council.

During the period from the last day of the reporting year to the date of signature of the present financial statements there were no other financial transactions or events as result of which adjustments should be made or which should be explained in these financial statements.

Profit distribution recommended by the Board

Year 2009

Profit over the reporting year to be distributed, LVL

none

Recommended profit distribution:

Calculate dividends for shareholders

not applicable

Keep as retained profit

not applicable

Taking into account the loss in the reporting year there are no distributable profit.

The Board recommends to cover the loss incurred in the reporting year 2009 from the earnings gained in the previous years.

Future perspective

In year 2010 the management envisages increase of return on goods produced due to stability of the sector. According to the first auction results of the year 2010 conclusion can be made that the sale price in the auction houses has increased substantially (on average by 100%), and customers' confidence to goods achieved in the previous years has increased as well. The JSC "Grobiņa" management is of the opinion that consumers' purchasing capacity will not decrease and in 2010 the Company will continue to develop successfully.

Chairman of the Board _____ Daina Kalniņa

Member of the Board _____ Gunta Isajeva

Member of the Board _____ Andris Vītoliņš

12 April 2010

DECLARATION ON MANAGEMENT RESPONSIBILITY

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

The JSC "Grobiņa" management confirm that the Annual Report for the fiscal year 2009 has been prepared according to the requirements of the valid laws and regulations and represents truthful and clear information on the JSC "Grobiņa" assets, liabilities, financial position and loss. The Management Report contains truthful information. The established internal control procedures are effective; risk management and internal control during the reporting year were applied according to the internal control procedures.

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

Chairman of the Board _____ Daina Kalniņa

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Member of the Board _____ Andris Vītoliņš

12 April 2010

BALANCE SHEET

ASSETS	Notes	31.12.09. LVL	31.12.09. EUR	31.12.08. LVL	31.12.08. EUR
Long-term investments					
I Intangible assets					
Concessions, patents, licences, trade marks and similar rights		119	169	271	386
Total intangible assets	3	119	169	271	386
II Fixed assets					
Land, buildings, structures and perennials		415 453	591 136	443 505	631 051
Equipment and machinery		81 109	115 408	126 041	179 340
Other fixed assets and equipment		58 438	83 150	79 224	112 726
Fixed assets under construction		26 340	37 478	26 340	37 478
Total fixed assets	4	581 340	827 172	675 110	960 595
III Investment property					
		0	0	0	0
IV Biological assets					
	5	242 750	345 402	507 841	722 593
V Long-term financial investments					
Other securities and investments		352	501	352	501
Other loans and long-term debtors		2 500	3 557	2 500	3 557
Total long-term financial investments	6	2 852	4 058	2 852	4 058
Total long-term investments		827 061	1 176 801	1 186 074	1 687 632
Current assets					
I Stocks					
Raw materials and consumables	7	29 490	41 960	91 808	130 631
Unfinished production	8	261 332	371 842		
Finished production and goods for sale	9	1 144 720	1 628 790	1 951 255	2 776 386
Prepayment for goods	10	1 105	1 572		
Total stocks		1 436 647	2 044 164	2 043 063	2 907 017
II Long-term investments kept for sale					
		0	0	0	0
III Accounts receivable					
Trade debtors	11	6 451	9 179	6 896	9 812
Other debtors	12	4 479	6 373	11 359	16 162
Deferred expenses	13	652	928	1 435	2 042
Accrued earnings	14	9 916	14 109		0
Total debtors		21 498	30 589	19 690	28 016
IV Short-term financial investments					
Total short-term financial investments		0	0	0	0
V Cash (total)					
	15	34 147	48 587	8 054	11 460
Total current assets		1 492 292	2 123 340	2 070 807	2 946 493
Total assets		2 319 353	3 300 141	3 256 881	4 634 125

BALANCE SHEET (continued)

LIABILITIES	Notes	31.12.09. LVL	31.12.09. EUR	31.12.08. LVL	31.12.08. EUR
I Shareholders' equity					
Share capital (equity)	16	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 profit					
a) retained profit of the previous years		1 676 118	2 384 901	1 667 333	2 372 401
b) retained profit of the reporting year		-978 502	-1 392 283	8 785	12 500
<i>Total retained profit</i>		697 616	992 618	1 676 118	2 384 901
Total shareholders' equity		1 252 070	1 781 535	2 230 572	3 173 818
II Provisions					
Other provisions	17	23 060	32 811	52 528	74 741
Total provisions		23 060	32 811	52 528	74 741
III Creditors					
I Long-term creditors					
Loans from credit institutions					
Other creditors	19	229 830	327 018	232 650	331 031
Deferred tax liabilities	20	0		33 277	47 349
Total long-term creditors		229 830	327 018	265 927	378 380
II Short-term creditors					
Loans from credit institutions	18	344 187	489 734	351 191	499 700
Other loans	19	20 817	29 620	8 827	12 560
Advance payments from customers	21	82 340	117 159	49 663	70 664
Trade creditors	22	272 848	388 228	212 623	302 535
Taxes and social security payments	23	59 466	84 612	36 314	51 670
Other creditors	24	24 848	35 356	40 411	57 500
Accrued liabilities	25	9 887	14 068	8 825	12 557
Total short-term creditors		814 393	1 158 777	707 854	1 007 186
Total creditors		1 044 223	1 485 795	973 781	1 385 566
Total Liabilities		2 319 353	3 300 141	3 256 881	4 634 125

The items of the financial statement were converted to EUR according to the exchange rate fixed by the Bank of Latvia as at 31 December 2009:

LVL 1 = EUR 0.702804 EUR and it is only for informative purposes.

Notes on pages 13 to 29 form an integral part of these financial statements.

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12 April 2010

PROFIT AND LOSS ACCOUNT

	Notes	Year 2009 LVL	Year 2009 EUR	Year 2008 LVL	Year 2008 EUR
Net turnover	30	1 328 769	1 890 668	2 278 964	3 242 674
Cost of sales	31	2 126 960	3 026 391	2 014 638	2 866 572
Gross profit or loss		-798 191	-1 135 723	264 326	376 102
Selling expenses	32	104 147	148 188	112 388	159 914
Administrative expenses	33	121 022	172 199	119 001	169 323
Other operating income	34	35 734	50 845	27 864	39 647
Other operating expenses	35	0	0	15 060	21 428
Profit or loss from operation		-987 626	-1 405 265	45 741	65 084
Other interest income and similar income	36	1 188	1 690	42	60
Interest expenses and similar expenses	37	24 279	34 546	36 541	51 993
Profit or loss before extraordinary items and taxes		-1 010 717	-1 438 121	9 242	13 150
Profit or loss before taxes		-1 010 717	-1 438 121	9 242	13 150
Corporate income tax	38			2 870	4 084
Deferred tax income (expenses)	39	-33 277	-47 349	-3 433	-4 885
Other taxes	40	1 062	1 511	1 020	1 451
Profit or loss in the reporting year		-978 502	-1 392 283	8 785	12 500

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12 April 2010

CASH FLOW STATEMENT (by indirect method)

	2009.gads LVL	2009.gads EUR	2008.gads LVL	2008.gads EUR
I. Cash flow from operating activities				
1 Profit or loss before extraordinary items and taxes	-1 010 717	-1 438 121	9 242	13 150
<i>Adjustments:</i>				
a) depreciation of fixed assets;	94 317	134 201	110 078	156 627
b) Intangible assets value write-offs;	152	216	165	235
c) fixed assets disposal	31	44		
d) provisions (excl. provisions for doubtful debts);	-29 468	-41 929	-2 552	-3 631
e) gain or loss from currency exchange rate fluctuations;	-2 156	-3 068	14 862	21 147
f) subsidies, grants, endowments, donations;	-33 579	-47 779	-23 489	-33 422
h) other interest income and similar income;	-1 188	-1 690	-42	-60
i) donations granted;			14	20
g) interest payable and similar expenses.	24 279	34 546	36 541	51 993
2 Profit or loss before changes in current assets	-958 329	-1 363 580	144 819	206 059
<i>Adjustments:</i>				
a) (increase)/decrease of biological assets	265 091	377 191	49 859	70 943
b) (increase)/decrease in debtors saldo;	-1 808	-2 573	3 875	5 514
c) (increase)/decrease in stock residuals;	606 416	862 852	26 193	37 269
increase/(decrease) in residual accounts payable to trade	101 553	144 497	-349 497	-497 289
d) creditors and other creditors				
3 Gross cash flow from operationing activities	12 923	18 387	-124 751	-177 504
4 Interest payments	-24 279	-34 546	-36 541	-51 993
5 Income tax payments			-2 870	-4 084
6 Deferred corporate income tax			3 433	4 885
7 Expenses for real estate payments	-1 062	-1 511	-1 020	-1 451
8 Cash flow before extraordinary items	-12 418	-17 670	-161 749	-230 148
10 Net cash flow from operating activities	-12 418	-17 670	-161 749	-230 148
II. Cash flow from investing activities				
1 Fixed asset and intangible asset additions	-578	-822	-361	-514
2 Interest income and similar income	1 188	1 690	42	60
6 Cash flow from investing activities	610	868	-319	-454
III. Cash flow from financing activities				
1 Loans received	2 166	3 082	1 153 711	1 641 583
2 Subsidies, grants, endowments and donations received	33 579	47 779	23 489	33 422
3 Loans repaid			-1 150 182	-1 636 562
4 Expenses from granting donations			-14	-20
7 Net cash flow from financing activities	35 745	50 861	27 004	38 423
IV. Result of foreign currency exchange rate fluctuation				
	2 156	3 068	-14 862	-21 147
V. Net cash flow in the reporting year	26 093	37 127	-149 926	-213 326
Cash and its equivalents at the beginning of the reporting year				
VI. reporting year	8 054	11 460	157 980	224 785
Cash and its equivalents at the end of the reporting year				
VII. year	34 147	48 587	8 054	11 459

Notes on pages 13 to 29 form an integral part of these financial statements.

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12 April 2010

STATEMENT OF CHANGES IN EQUITY

	Share capital		Other reserves		Retained profit		Total	
	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
Balance as at 31.12.2007.	500000	711436	54454	77481.1	1667333	2372401	2221787	3161318.1
Net profit or loss over the reporting period					8785	12500	8785	12500
Balance as at 31.12.2008.	500000	711436	54454	77481.1	1676118	2384901	2230572	3173818
Net profit or loss over the reporting period					-978502	-1392283	-978502	-1392283
Balance as at 31.12.2009.	500000	711436	54454	77481.1	697616	992618	1252070	1781535.1

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Member of the Board _____

Gunta Isajeva

Member of the Board _____

Andris Vītoliņš

12 April 2010

NOTES TO FINANCIAL STATEMENTS

ACCOUNTING POLICY

I. General Principles

The Annual Report has been prepared in accordance with the Republic of Latvia legislative norms " On Accounting", "On Annual Reports" and valid Latvian Accounting Standards: 1. LAS Basic Principles of Drawing up Financial Reports, 2. LAS Cash Flow Statement, 3. LAS Events after the date of balance sheet, 4 .LAS "Change of the Accounting Policy, change of the accounting estimates and errors of previous periods", 6.LAS Revenues, 7.LAS Fixed assets, 8.LAS Accruals, possible liabilities and possible assets.

Profit and Loss Statement is drawn up according to the method of turnover costs.

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

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

The year of Financial Statement is 12 months and it corresponds to a calendar year.

The Accounting Principles used

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

1. It is assumed that the Company will continue its operation in the future.
2. The same methods of assessment are used as in the previous reporting year.
3. Assesment is made with due caution, with the following conditions:
 - the statement includes only the profit gained before the date of balance sheet;
 - taken into account are all the predictable risk amounts and loss incurred in the reporting year or over the previous years also in the cases when they have become known in the period between the date of the balance sheet and the day of signing the annual report;
 - all the sums reducing the amounts and depreciation are calculated and taken into account irrespective of whether the reporting year is closed with profit or loss..
4. Income and expenses related to the reporting year have been taken into account regardless of the date of payment and the receipt or issue of invoices. Expenses have been coordinated with the income in the reporting
5. The constituents of assets and liabilities items have been assessed separately.
6. Beginning balance of the reporting year is the same as the closing blance of the year before, except for the adjusted items.
7. All the items are included, which are of essential importance for the Annual Report users' assessment or decision making, items of minor importance are joined and their details are given in the Notes.
8. Business transactions are shown in the Annual Report taking into account their economic content and essence, and not their legal form.

II. Recognition of revenues and net turnover

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

- revenue from lease - at the moment of arising;
- revenues from fines and penalties - at the moment they are received;
- revenue from insurance remuneration - at the moment it is received.
- revenue from dividends - when legal rigts to them set in.

III. Intangible assets and fixed assets

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

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

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

The initial value of unfinished construction sites is increased by other direct expenses having occurred in respect of the relevant site until comissioning of the newly created site. The initial value of the respective fixed asset is not increased by the interest of the loans used for creation of the new fixed asset in the periods when active development work regarding the uncompleted construction site is not carried out.

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

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

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

IV. Stocks

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

V. Debtors

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

VI. Foreign currencies revaluation in Latvian lats

Accounting in the company is done in lats. All the transactions in foreign currencies are revaluated in lats according the exchange rate fixed by the Latvian Bank on the day of the relevant transaction.

Assets and liabilities, expressed in foreign currency are calculated in lats according the exchange rate fixed by the Bank of Latvia on the last day of the year of account. Profit or loss from the fluctuations of exchange rates are reflected in the Profit and loss statement of the relevant period.

	31.12.2009. (in lats)	31.12.2008. (in lats)	
1 USA dollar	0.489	0.495	(USD)
1 EUR	0.702804	0.702804	(EUR)
1 Lithuanian lit	0.204	0.203	(LTL)
1 Danish krone	0.0944	0.0943	(DKK)
1 Russian rouble	0.0164	0.0171	(RUB)

VII. Cash and cash equivalents

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

VIII. Finance Risk Management

The most important company's financial instrument is cash. The purpose of this financial instrument is to provide for the financing of its economic activity. The Company comes into contact with several other financing instruments as well, e.g. customers' and clients' debts and other debtors, liabilities to suppliers and contractors, and other creditors, which result directly from its economic activity. The company may grant short-term loans to the management and employees.

Financial risks

The main financial risks related to the Company's financing instruments are liquidity risk and credit risk. The company's policy envisages to provide that the interest rate of the largest share of its loans is fixed.

Credit risk

The Company is exposed to credit risks related to its customers' and clients' debts, other debtors, and cash and its equivalents. The company manages its credit risk constantly evaluating the client debt repayment history and providing special credit terms and conditions for each client. Besides the Company monitors the residual debtors debt to minimize the possibility of unrecoverable debts arising.

The partners in cash transactions are home and foreign financial institutions with a relevant credit history.

IX. Subsidies

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

X. Loans

Initially the loans are recognized for their fair value, with the exception of the expenses related to the receipt of the loan. In the following periods loans are recorded as the depreciated purchase value, which is valued, using the effective interest rate on the loan. The difference between the amount of cash received excluding the expenses related to receiving the loan, and the value of loan repayment is included gradually in the Profit and loss statement.

XI. Taxes

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

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

XII. Provisions

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

XIII. Related parties

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

XIV. Biological assets

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

XV. Investment properties

The does not possess investment property.

XVII. Provisions for unused annual holidays

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

XVIII. Earnings per share

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

NOTES TO FINANCIAL STATEMENTS (continued)

GENERAL NOTES

	Year 2009	Year 2009	Year 2008	Year 2008
1. Average number of employees in the reporting year				
Average number of employees	108		123	
	LVL	EUR	LVL	EUR
2. Total personnel expenses	536 314	763 106	752 232	1 070 330
- salaries	434 079	617 639	610 615	868 827
- social security payments	102 235	145 467	141 617	201 503
- including:				
Remuneration of employees engaged in production (main operation)				
- salaries	364 409	518 508	557 548	793 319
- social security payments	85 559	121 739	132 285	188 225
- total	449 968	640 247	689 833	981 544
Administration				
- salaries	55 800	79 396	51 367	73 089
- social security payments	13 335	18 974	8 944	12 726
- total	69 135	98 370	60 311	85 815
including remuneration of the Board				
- salaries	13 870	19 735	1 700	2 419
- social tax paid by employer	3 341	4 754	388	552
- total	17 211	24 489	2 088	2 971

The items of the Notes to the Financial Statements were converted to EUR according to the exchange rate fixed by the Bank of Latvia as at 31 December 2009: LVL 1 = EUR 0.702804 EUR and it is only for informative purposes.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTES TO THE BALANCE SHEET

3. Statement of intangible assets flow

	Company development expenses	Concessions, patents, licences, trade marks and similar rights incl.	Other intangible assets	Goodwill	Advance payments	Total intangible assets
	computer software					
	LVL	LVL	LVL	LVL	LVL	LVL
Purchase value 31.12.2008.			2 137			2 137
Purchase (+)						0
Increase (incl. improvements (+))						0
Transfer (+/-)						0
Revaluation (+/-)						0
Disposal (-)			-200			-200
Purchase value 31.12.2009.	0	0	1 937	0	0	1 937
Depreciation 31.12.2008.			1 866			1 866
Estimated (+)			152			152
Written off (-)			-200			-200
Depreciation 31.12.2009.	0	0	1 818	0	0	1 818
Book value 31.12.2008.		0	271	0	0	271
Book value 31.12.2009.		0	119	0	0	119
	Company development expenses	Concessions, patents, licences, trade marks and similar rights incl.	Other intangible assets	Goodwill	Advance payments	Total intangible assets
	computer software					
	EUR	EUR	EUR	EUR	EUR	EUR
Purchase value 31.12.2008.			3 041			3 041
Purchase (+)						0
Increase (incl. improvements (+))						0
Transfer (+/-)						0
Revaluation (+/-)						0
Disposal (-)			-285			-285
Purchase value 31.12.2009.	0	0	2 756	0	0	2 756
Depreciation 31.12.2008.			2 655			2 655
Estimated (+)			217			217
Written off (-)			-285			-285
Depreciation 31.12.2009.	0	0	2 588	0	0	2 588
Book value 31.12.2008.		0	386	0	0	386
Book value 31.12.2009.		0	169	0	0	169

NOTES TO FINANCIAL STATEMENTS (continued)

NOTES TO BALANCE SHEET

4. Statement of fixed assets and investment property flow

	Land, buildings, constructions and perennials (LVL)	Long-term investm. in rented fixed assets (LVL)	Equipment and machinery (LVL)	Other fixed assets and inventory (LVL)	Fixed assets under construction (LVL)	Advance payments for fixed assets (LVL)	Total (LVL)
Purchase or revaluated value 31.12.2008.	1 164 972		461 556	190 485	26 340		1 843 353
Acquired in report. year (+)				577			577
Disposed in report. year (-)				-1 231			-1 231
Purchase or revaluated value 31.12.2009.	1 164 972	0	461 556	189 831	26 340	0	1 842 699
Accrued depreciation 31.12.2008.	721 467		335 515	111 261			1 168 243
Estimated in report. year (+)	28 052		44 932	21 333			94 317
Disposed in report. year (-)				-1 201			-1 201
Accrued depreciation 31.12.2009.	749 519	0	380 447	131 393	0	0	1 261 359
Book value 31.12.2008.	443 505	0	126 041	79 224	26 340	0	675 110
Book value 31.12.2009.	415 453	0	81 109	58 438	26 340	0	581 340

	Land, buildings, constructions and perennials (EUR)	Long-term investm. in rented fixed assets (EUR)	Equipment and machinery (EUR)	Other fixed assets and inventory (EUR)	Fixed assets under construction (EUR)	Advance payments for fixed assets (EUR)	Total (EUR)
Purchase or revaluated value 31.12.2008.	1 657 606		656 735	271 036	37 478		2 622 855
Acquired in report. year (+)				821			821
Disposed in report. year (-)				-1 752			-1 752
Purchase or revaluated value 31.12.2009.	1 657 606	0	656 735	270 105	37 478	0	2 621 924
Accrued depreciation 31.12.2008.	1 026 555		477 395	158 310			1 662 260
Calcul. in reporting year (+)	39 914		63 932	30 354			134 201
Disposed in reporting year (-)				-1 709			-1 709
Accrued depreciation 31.12.2009.	1 066 469	0	541 327	186 955	0	0	1 794 752
Book value 31.12.2008.	631 051	0	179 340	112 726	37 478	0	960 595
Book value 31.12.2009.	591 136	0	115 408	83 150	37 478	0	827 172

NOTES TO FINANCIAL STATEMENTS (continued)

NOTES TO BALANCE SHEET

4. Statement of fixed assets and investment property flow (continued)

Property	Cadastral No.	Cadastral value LVL/EUR	Book value LVL/EUR	Market value 02.2010. LVL/EUR
<i>Land</i>	64600140090 (LVL)	34 678	81 937	
	64600140090(EUR)	49 342	116 586	
<i>Buildings and structures</i>	64600140091 (LVL)	605 305	333 516	
	64600140091 (EUR)	861 271	474 551	
<i>Real estate*</i>	64600140090X (LVL)			800 000
	64600140090X (EUR)			1 138 297
<i>Equipment, buildings, structures, machinery and other fixed assets*</i>	64600140090X (LVL)			494 000
	64600140090X (EUR)			702 899

According to the contract on commercial lien immovable property was pledged against the credit line in favour of the JSC "Ge Money Bank". *In February 2010 independent experts "Eiroeksperts" made evaluation according to the market value.

Depreciation of fixed assets and write-off of intangible assets value, calculating taxable income (CIT)

	Residual value 31.12.2008.	Acquired in 2009	Write-offs of fixed assets residual value	Value from which depreciation was calculated	Rate	Depreciation	Residual value 31.12.2009.
	LVL	LVL	LVL	LVL	LVL	LVL	LVL
Group I	278 991			278 991	10%	27 899	251 092
Group II				0		0	0
Group III	172			172	70%	120	52
Group IV	63 542	577	30	64 089	40%	25 636	38 453
Group IV				0	30%	0	0
Total	342 705	577	30	343 252		53 655	289 597

	Residual value 31.12.2008.	Acquisitions in 2009	Write-offs of fixed assets residual value	Value from which depreciation was calculated	Rate	Depreciation	Residual value 31.12.2009.
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Group I	396 968			396 968	10%	39 697	357 271
Group II				0		0	0
Group III	245			245	70%	171	74
Group IV	90 412	821	43	91 190	40%	36 476	54 714
Group IV				0	30%	0	0
Total	487 625	821	43	488 403		76 344	412 059

5. Biological assets

	31.12.2009. LVL	31.12.2009. EUR	31.12.2008. LVL	31.12.2008. EUR
Residue value at the beginning of the year	507 841	722 593	557 700	793 536
Purchased breeding animals			17 131	24 375
Sold breeding animals (-)				
Increase in value due to reproduction (+)	719 398	1 023 611	895 084	1 273 590
Decrease in value due to degeneration (-)	-110 023	-156 549	-34 693	-49 364

Decrease due to product. of finished goods (-) residual value at the end of the year	-874 466	-1 244 253	-927 381	-1 319 544
	242 750	345 402	507 841	722 593

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

6. Long-term financial investments

Item	31.12.2009.			31.12.2008.		
	Number	LVL	EUR	Number	LVL	EUR
Other securities (Latvian Fur-Breeders Association)		352	501		352	501
Own shares	2 500	2 500	3 557	2 500	2 500	3 557
Total	2 500	2 852	4 058	2 500	2 852	4 058

7. Raw materials and consumables

	31.12.2009. LVL	31.12.2009. EUR	31.12.2008. LVL	31.12.2008. EUR
1) Forage	10 625	15 118	47 377	67 411
2) Medication	675	960	15 099	21 484
3) Fuel for heating	17 853	25 403	29 074	41 369
4) Repair materials	258	367	258	367
5) Fuel, gas	79	112		
Total	29 490	41 960	91 808	130 631

8. Unfinished production

	31.12.2009. LVL	31.12.2009. EUR	31.12.2008. LVL	31.12.2008. EUR
1) Untanned mink skins	261 332	371 842		
Total	261 332	371 842	0	0

9. Finished production and goods for sale

	31.12.2009. LVL	31.12.2009. EUR	31.12.2008. LVL	31.12.2008. EUR
1) Mink skins	1 115 369	1 587 027	1 829 631	2 603 330
2) Fox skins	29 351	41 763	121 624	173 056
Total	1 144 720	1 628 790	1 951 255	2 776 386

10. Prepayments for goods

	31.12.2009. LVL	31.12.2009. EUR	31.12.2008. LVL	31.12.2008. EUR
1) Prepayment for medication	870	1 238		
2) Prepayment for forage	235	334		
Total	1 105	1 572	0	0

11. Trade debtors

	31.12.2009. LVL	31.12.2009. EUR	31.12.2008. LVL	31.12.2008. EUR
Trade registered value	6 451	9 179	6 896	9 812
Net trade debtors	6 451	9 179	6 896	9 812

12. Other debtors

	31.12.2009. LVL	31.12.2009. EUR	31.12.2008. LVL	31.12.2008. EUR
Taxes or tax prepayments overpaid in budget			11 359	16 162
Advance billing parties' debts	10	14		
VAT 14% indemnity (to farmers)	160	228		

Other debtors	4 309	6 131		
Total	4 479	6 373	11 359	16 162

NOTES TO FINANCIAL STATEMENTS (continued)

NOTES TO THE BALANCE SHEET

13. Deferred expenses	31.12.2009 LVL	31.12.2009 EUR	31.12.2008. LVL	31.12.2008. EUR
Advertising in catalogs			400	568
Press subscription	48	68	218	310
Insurance	604	860	817	1 162
Total	652	928	1 435	2 042

14. Accrued income	31.12.2009 LVL	31.12.2009 EUR	31.12.2008. LVL	31.12.2008. EUR
Income accord. LAS No.6 "Income"	9 916	14 109		
Total	9 916	14 109	0	0

15. Cash	31.12.2009 LVL	31.12.2009 LVL	31.12.2008. LVL	31.12.2008. LVL
Cash on hand	30 242	43 030	3 493	4 970
Cash in bank	3 905	5 557	4 561	6 490
Total	34 147	48 587	8 054	11 460

16. Information on integrity of the Company's shares

The issued and fully paid Company's equity comprises 500 000 shares with the nominal value LVL 1.00 per share.

The shares are divided into 497500 ordinary name shares having voting right and 2 500 ordinary shares having no voting right, which are owned by the Company.

At the extraordinary shareholders' meeting held on 4 March 2010 the JSC "Grobiņa" made a decision to alter the Statute of the JSC "Grobiņa" according to the requirements of the Republic of Latvia Commercial Law

and elected the Council in new composition. On 23 March 2010 amendments in the JSC "Grobiņa" Statute were registered in the Commercial Register of the Republic of Latvia Enterprise Register

The Company shareholders as at 31 December 2009:

% shares	Shareholders
32.9%	Daina Kalniņa
6.03%	Jānis Siliņš
8.38%	Pēteris Laugalis
7.36%	Ģirts Laugalis
9.32%	Jānis Meijubers
5.00%	State JSC "State Social Insurance Agency", reg.No.90001669496
31.01%	Other physical persons and companies
100.00%	

17. Provisions	31.12.2009 LVL	31.12.2009 EUR	31.12.2008. LVL	31.12.2008. EUR
Provisions for annual holidays	52 528	74 740	55 080	78 372
Increase / (decrease)	-29 468	-41 929	-2 552	-3 631
Total	23 060	32 811	52 528	74 741

18. Total loans from credit institutions

Name of credit institution, loan repayment dates	Credit amount acc. to contract	31.12.2009 LVL	31.12.2009 EUR	31.12.2008. LVL	31.12.2008. EUR
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Ge Money Bank		344 187	489 734	351 191	499 700
Total	0	344 187	489 734	351 191	499 700

NOTES TO FINANCIAL STATEMENTS (continued)

NOTES TO THE BALANCE SHEET

According to the contract on commercial lien immovable property was pledged against the credit line in favour of the JSC "Ge Money Bank". In December 2009 the JSC "Grobiņa" and the JSC "Ge Money Bank" concluded a verbal agreement on restructuring of the credit line into a credit with the repayment due in October 2015. Based on this agreement on 3 February 2010 an agreement was concluded. Commercial lien was registered.

In the fiscal year report 2009 the credit line was reclassified from short-term loans to long-term loans from the credit institution by repayment years.

Long-term and short-term components	31.12.2009 LVL	31.12.2009 LVL	31.12.2008. LVL	31.12.2008. LVL
Long-term:				
from 2 to 5 years	0	0		
more than 5 years				
Total long-term:	0	0	0	0
Short-term	344 187	489 734	351 191	499 700
Total	344 187	489 734	351 191	499 700

19. Total other loans	31.12.2009 EUR	31.12.2009 USD	31.12.2009 LVL	31.12.2008. USD	31.12.2008. LVL	31.12.2008. EUR
Loans from physical person	10 672		7 500			
Loan in USA dollars with the repayment date	327 019	470 000	229 830	470 000	232 650	331 031
in year 2015 with 2% rate per year - accrued interest	18 948	27 233	13 317	17 832	8 827	12 560
Total	356 639	497 233	250 647	487 832	241 477	343 591

The loan from the physical person was received in EUR in december 2009 according to the Bank of Latvia exchange rate 0.702804 per one EUR; the total amount of the loan is 10671.54 with the repayment date in March 2010. It is interest-free loan.

Accrued interest in the financial statements 2008 were indicated in the accrued liabilities, but in the financial statements 2009 they were requalified to other loans.

Long-term and short-term components, excl. finance lease liabilities	31.12.2009 LVL	31.12.2009 EUR	31.12.2008. LVL	31.12.2008. EUR
Long-term:				
from 2 to 5 years				
more than 5 years	229 830	327 019	232 650	331 031
Total long-term:	229 830	327 019	232 650	331 031
Short-term	7 500	10 672		
	13 317	18 948	8 827	12 560
Total	250 647	356 639	241 477	343 591

20. Deferred tax liabilities	31.12.2009 LVL	31.12.2009 EUR	31.12.2008. LVL	31.12.2008. EUR
Deferred taxes at the beginning of the year	33 277	47 349	36 710	52 234
Reporting year (income / expenses)	-33 277	-47 349	-3 433	-4 885
Total	0	0	33 277	47 349

Defferred tax liabilities in year 2009 have not been recognized

The above mentioned differences occurred mainly due to different fixed assets depreciation rates used in accounting of taxes and finances.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTES TO THE BALANCE SHEET

21. Prepayments received from customers

	31.12.2009 LVL	31.12.2009 EUR	31.12.2008. LVL	31.12.2008. EUR
Prepayments received from customers (auction houses)	82 340	117 159	49 663	70 664
Total	82 340	117 159	49 663	70 664

22. Trade creditors

	31.12.2009 LVL	31.12.2009 LVL	31.12.2008. LVL	31.12.2008. LVL
Trade creditors	272 848	388 228	216 623	308 227
Total	272 848	388 228	216 623	308 227

23. Flow of taxes and dues liabilities in 2009

	Balance 31.12.2008. LVL	Calculate d 2009.gadā LVL	Fines and penalties in 2009 LVL	Paid in 2009 LVL	Repaid in 2009 LVL	Transferred to other taxes LVL	Balance 31.12.2009. LVL
Social security payments	23 152	135 841	10	48 232		-80 506	30 265
Personal income tax	13 026	61 962	267	51 841			23 414
VAT	-4 228	109 250		25 942		73 376	5 704
Real estate tax		1 062		1 062			0
Corporate income tax		-7 130				7 130	0
Natural resource tax	103	225		270			58
State dues for busin. risk	33	339		347			25
Total	32 086	301 549	277	127 694	0	0	59 466

incl.:

Taxes overpaid (-)

4 228

Tax creditors (+)

36 314

59 466

Overpaid VAT tax as at 31.12.2008 amounting to LVL 4 228 is shown in the item "Other debtors"

	Balance 31.12.2008. EUR	Calculate d in 2009 EUR	Fines and penalties in 2009 EUR	Paid in 2009 EUR	Repaid in 2009 EUR	Transferred to other taxes EUR	Balance 31.12.2009. EUR
Social security payments	32 942	193 284	14	68 628		-114 550	43 063
Personal income tax	18 534	88 164	380	73 763			33 315
VAT	-6 016	155 449		36 912		104 405	8 116
Real estate tax		1 511		1 511			0
Corporate income tax		-10 145				10 145	0
Natural resource tax	147	320		384			83
State due for business risk	47	481		493			35
Total	45 654	429 064	394	181 691	0	0	84 612

incl.:

Taxes overpaid (-)

6 016

Tax creditors

51 670

84 612

Overpaid VAT tax as at 31.12.2008 amounting to EUR 6 016 is shown in the item "Other debtors".

NOTES TO FINANCIAL STATEMENTS (continued)

NOTES TO THE BALANCE SHEET

24. Other creditors	31.12.2009 LVL	31.12.2009 EUR	31.12.2008. LVL	31.12.2008. EUR
Wages and salaries	24 074	34 254	40 160	57 143
Deductions from salaries	101	144		
Deposited salaries, indemnif. of damages	673	958		
Fuel card balance			251	357
Total	24 848	35 356	40 411	57 500

25. Accrued liabilities	31.12.2009 LVL	31.12.2009 EUR	31.12.2008. LVL	31.12.2008. EUR
Communication expenses in December	247	351	730	1 039
Remuneration to the certif. auditors comp. for Annual Report	1 800	2 561	1 050	1 494
Electricity in December	6 840	9 733	6 765	9 626
Transport services			280	398
*Long-term credit interest in 2007-2008				
Services in December	1 000	1 423		
	9 887	14 068	8 825	12 557

*Interest for use of long-term credit in the financial statements year 2009 were requalified to other short-term loans.

Other Explanations

26. Remuneration of Council and Board members in the reporting year

	Council members		Board members	
	LVL	EUR	LVL	EUR
Calculated salaries LVL	0	0	13 870	19 735
Calculated social security payments in reporting year	0	0	3 341	4 754
	0	0	17 211	24 489

27. Remuneration of certified auditors commercial company

	31.12.2009. LVL	31.12.2009. EUR	31.12.2008. LVL	31.12.2008. EUR
For audit of reporting year	1 800	2 561	1 050	1 494
	1 800	2 561	1 050	1 494

28. Assets encumbrance

According to the contract on commercial lien immovable property was mortgaged against the credit line in favour of the JSC "Ge Money Bank"(valid until the date of credit restructuring - 3 February 2010).

In December 2009 the JSC "Grobiņa" and the JSC "Ge Money Bank" concluded a verbal agreement on restructuring of the credit line into a credit with the repayment date in October 2015. Fulfilment of the Company's liabilities is secured and supported with mortgage all real estate owned by the Company and commercial lien on all Company's property as integral property at the moment of mortgage. (from 03.02.2010.)

29.Information according to the Law on the Financial Instrument Market, Articles 56 and 56.1

Structure of the capital

Issued and fully paid Company's equity consists of 500 000 shares with nominal value LVL 1.00 per share.

The shares are divided into 497 500 ordinary name shares having voting right and 2 500 ordinary shares having no voting right, which are owned by the Company.

Class of shares	Number of shares		% of equity
	LVL	EUR	
Ordinary name shares with voting rights - in public circulation	497 500	707 879	99.5%
Ordinary shares without voting rights - in closed register	2 500	3 557	0.5%

500 000 711 436 100%

NOTES TO FINANCIAL STATEMENTS (continued)

NOTES TO THE BALANCE SHEET

List of shareholders having direct or indirect material interest in the corporate enterprise and having particular control rights

Shareholder's name	Position held at the Company as at 23 March 2010	Number of shares as at 24 February 2010	% of equity
Daina Kalniņa	Chairman of the Board	164 475	32.90%
Jānis Siliņš	Chairman of the Council	30 162	6.03%
Gunta Isajeva	Member of the Board	231	0.05%
Jānis Meijubers	Member of the Council (since 23.03.2010)	55 000	11.00%
Pēteris Laugalis		41 891	8.38%
Ģirts Laugalis		36 780	7.36%
State Social Insurance Agency		25 000	5.00%

Powers of the Board Members

According to the Statute of the JSC "Grobiņa" each Board member has the right to represent the Company solely.

Shareholders' Rights

Regulated by the Republic of Latvia legislation; the Company's Statute does not stipulate special constraints or regulations related to the voting right.

There is no agreement between the Company and the Board members concerning reimbursement when resigning.

NOTES TO PROFIT AND LOSS ACCOUNT

30. Net turnover

	31.12.2009 LVL	31.12.2009 EUR	31.12.2008. LVL	31.12.2008. EUR
Income from selling mink skins	1 299 402	1 848 882	2 210 699	3 145 541
Income from selling silver fox skins	4 292	6 108	1 542	2 193
Income from selling polar fox skins	190	270	29 057	41 344
Subsidies received				
Income from services provided and work performed	24 885	35 408	37 666	53 594
Total	1 328 769	1 890 668	2 278 964	3 242 674

30a. Net turnover distribution by operation type and geographical markets

Fur animals

Latvia	25 023	35 605	204 018	290 291
Russia	47 904	68 161	43 091	61 313
Finland	684 979	974 637	776 930	1 105 472
Denmark	461 273	656 332	1 085 919	1 545 124
Lithuania	80 720	114 854	165 671	235 729
Ukraine	3 984	5 669	3 335	4 745
Latvia (services)	24 886	35 410		
Total	1 328 769	1 890 668	2 278 964	3 242 674

NOTES TO FINANCIAL STATEMENTS (continued)
NOTES TO PROFIT AND LOSS ACCOUNT (continued)

31. Cost of sales	31.12.2009 LVL	31.12.2009 EUR	31.12.2008. LVL	31.12.2008. EUR
Forage	564 280	802 898	826 002	1 175 295
Medication	51 035	72 616	78 571	111 796
Wages and salaries	364 409	518 507	557 548	793 319
Social security, risk dues	85 864	122 173	132 285	188 225
Fixed assets depreciation	93 416	132 919	110 805	157 661
Electricity	62 169	88 459	64 468	91 730
Soc. security, risk dues	498	709		0
Equipment maintenance	11 624	16 539		0
Insurance	1 674	2 382		0
Personnel expenses		0	23 349	33 223
Chips for treatment	19 660	27 974		
Utilization and other expenses	2 307	3 283		
Tanning services	1 497	2 130		
Dry waste	1 094	1 557		
Total prime cost of animals and skins	809 832	1 152 287		
Natural resource tax	225	320		
Personnel training	370	526		
Fuell, gas	17 951	25 542		
Fuel for heating, chips	32 927	46 851		
Repair materials	13 643	19 412		
Ordinary repairs services	17 337	24 668		
Various services (transport)	1 721	2 449		
Provisions for annual holidays and social security	-26 573	-37 810		
Production costs for previous year*			221 610	315 323
Total	2 126 960	3 026 391	2 014 638	2 866 572

*expenses are shown more detailed for the accounting year

32. Selling costs	31.12.2009 LVL	31.12.2009 EUR	31.12.2008. LVL	31.12.2008. EUR
Commission to auction houses (Finland)	56 804	80 825		
Commission to auction houses (Denmark)	44 862	63 833		
Travelling expenses	1 090	1 551		
Previos years expenses	94	134		
Advertising expenses	824	1 172	547	778
Commission to auction houses			111 841	159 136
Other expenses	473	673		
Total	104 147	148 188	112 388	159 914

33. Administrative expenses	31.12.2009 LVL	31.12.2009 EUR	31.12.2008. LVL	31.12.2008. EUR
Communication expenses	5 829	8 294		
Office maintenance expenses	386	549	6 444	9 169
Annual Report expenses	1 800	2 561		
Bank sevicees	1 219	1 734		
Administration wages	55 800	79 396	51 367	73 089
Provisions for annual holidays and social security	-2 895	-4 119		
Social security payments	13 368	19 021	8 944	12 726
Fixed assets depreciation	1 052	1 497	2 901	4 128
Currentt assets value write-offs	31	44		
Transport expenses, travelling	2 824	4 018	2 957	4 207
Various services			2 654	3 776
Lawyer's services	3 600	5 122		

Membership dues, payments to Riga Stock Exchange	9 123	12 982		
Other administrative expenses (account. financ. services)	28 885	41 100	43 734	62 228
Total	121 022	172 199	119 001	169 323

NOTES TO FINANCIAL STATEMENTS (continued)

NOTES TO PROFIT AND LOSS ACCOUNT (continued)

34. Other operating income

	31.12.2009 LVL	31.12.2009 EUR	31.12.2008. LVL	31.12.2008. EUR
Subsidies for purchase of breeding animals	33 578	47 777	20 330	28 927
Foreign exchange gains	2 156	3 068		
Financial support provided by EU SAPARD program			3 159	4 495
Decrease in provisions for unused annual holidays			2 552	3 631
Other income			1 823	2 594
Total	35 734	50 845	27 864	39 647

35. Other operating expenses

	31.12.2009 LVL	31.12.2009 EUR	31.12.2008. LVL	31.12.2008. EUR
Donations			14	20
Foreign exchange loss			14 862	21 147
Fines and penalties paid			184	261
Total	0	0	15 060	21 428

36. Other interest and similar income

	31.12.2009 Ls	31.12.2009 Ls	31.12.2008. Ls	31.12.2008. Ls
Bank interest	5	7	42	60
Other income	1 183	1 683		
Total	1 188	1 690	42	60

37. Interest expenses and similar expenses

	31.12.2009 LVL	31.12.2009 EUR	31.12.2008. LVL	31.12.2008. EUR
Interest for prepayments	7 929	11 282	10 428	14 838
Interest on short-term credits	11 475	16 327	21 460	30 534
Interest on long-term credits	4 597	6 541	4 653	6 621
Fines and penalties paid	278	396		
Other expenses				
Total	24 279	34 546	36 541	51 993

38. Corporate income tax in reporting year

	31.12.2009 LVL	31.12.2009 EUR	31.12.2008. LVL	31.12.2008. EUR
Corporate income tax in reporting year according to Corporate income tax declaration			2 870	4 084
	0	0	2 870	4 084

The corporate income tax differs from the theoretical tax amount, which should be paid provided the Company's profit before taxes would be subject to 15% tax rate stipulated in the law.

39. Deferred tax income or expenses

	31.12.2009 LVL	31.12.2009 EUR	31.12.2008. LVL	31.12.2008. EUR
Temporary difference in provisions for annual holidays	-4 038	-5 746	2 039	2 901
Temporary difference in fixed assets depreciation	-29 239	-41 603	-5 472	-7 786
Deferred tax liabilities (+), assets (-)	-33 277	-47 349	-3 433	-4 885

40. Other taxes

	31.12.2009 LVL	31.12.2009 LVL	31.12.2008. LVL	31.12.2008. LVL
Real estate tax in reporting year	1 062	1 511	1 020	1 451

1 062	1 511	1 020	1 451
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NOTES TO FINANCIAL STATEMENTS (continued)

NOTES TO PROFIT AND LOSS ACCOUNT (continued)

41. Remuneration of certified auditors company

	31.12.2009 LVL	31.12.2009 EUR	31.12.2008. LVL	31.12.2008. EUR
Audit of Annual Report	1 800	2 561	1 050	1 494

The Financial Statement has been signed from from page 1 to page 29.

Chairman of the Board	_____	Daina Kalniņa
Member of the Board	_____	Gunta Isajeva
Member of the Board	_____	Andris Vītoliņš

12 April 2010

The Annual Report was approved by ordinary shareholders's meeting on 23.April 2010.

There are no objections related to the Audit Report.

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” (from 8 to 29 page), which comprise the balance sheet as at December 31, 2009, and the income statement, statement of changes in equity and cash flow statement for the year then ended 2009, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Latvian Law of Annual report. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's 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 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 „GROBIŅA” as of December 31, 2009, and of its financial performance and its cash flows for the year then ended 2009 in accordance with Latvian Law of Annual report.

Report on the Management Report

We have read the Management Report set out on pages 5-7 and did not identify material inconsistencies between the financial information contained in the Management Report and that contained in the financial statements for 2009.

Marija Jansone, Sworn Auditor,
Certificate No.25,
Board Member,
„Sworn Auditor Company KAPITĀLS” Ltd.
Commercial company licence No 6

April 23th, 2010, Liepaja

