Joint Stock Company "GROBIŅA"

(Registration number 40003017297)

NON -AUDITED

FINANCIAL STATEMENTS
FOR THE 3 MONTHS PERIOD ENDED
31 MARCH 2011

The items of the Financial Statement were converted to EUR according to the exchange rate fixed by the Bank of Latvia
as at 31 March 2011: LVL 1 = EUR 0.702804 and it is only for informative purposes.

Dubeņi, Grobiņa Municipality

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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 street 3, Dubeņi, Parish Grobiņa, 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 (until 01.03.2011.)
Member of the Board	Gunta Isajeva
Member of the Board	Andris Vītoliņš
Names and positions of the Council members:	
Chairman of the Council	Agrita Jaunsleine
Member of the Council	Gunārs Laugalis
Member of the Council	Jānis Meijubers
Member of the Council	Santa Blīgzna (13.10.2010-10.03.2011)
Member of the Council	Sarmīte Ziediņa (13.10.2010-10.03.2011)
Member of the Council	Ojārs Osis (from 28.04.2011)
Member of the Council	Linda Elsberģe (from 28.04.2011)
Reporting period	1st of January, 2011 – 31st of March, 2011
Name and address of the Auditor	Marija Jansone Certified Auditor (LACA Certificate No.25) SIA AUDIT ADVICE Certified auditors commercial company Licence No.134 Rīga, Brīvības 40-48, Latvia, LV-1050

Management Report

Type of operation

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

Company's operation during the reporting year

The net turnover on the first quarter of 2011 is LVL 603 988 and it is increased about 34% compared with the first quarter of 2010. The net turnovers increase is related to the mink skin price increase on the Auction house of Finland, where we also have realized about 95 % from all skins sold.

On the first quarter of 2011 there were sold 26 868 mink skins for the average selling price of 26.30 LVL/piece. On the first quarter of 2010 there were sold 27 427 mink skins for the average price of 15.93 LVL per piece and 534 fox skins for the average price of 19.01 LVL per piece. Compared with the first quarter of the last year, the costs of fodder had increased for 72 %, the costs of medicine for 89%, salary to employees for 9%. The amount of fur animals also had increased for 23%.

The average number of employees on the first quarter of 2011 is 86, on the year 2010 this average number was 93.

The profit of the first quarter of 2011 is LVL 123 500. The net profit on one share is 0.247 LVL or 0.351 EUR. The net profit on one share on the year 2010 was 0.067 LVL or 0.095 EUR.

The first results of auctions in Finland shows that comparing with the last year the skin price has increased. The income forecast lets us plan a valuable animal growing to arrange the debt commitments, created in the last 2 years, in the terms approved.

Financial results

Total liquidity ratio = 2,14

Liquidity intermediary coverage ratio = 0.19

Absolute liquidity ratio = 0,14

Proportion of liabilities in Balance Sheet = 0.40

Liabilities to shareholders' equity ratio = 0,67

Stock turnover ratio = 0,39

All assets turnover ratio = 0.26

Return on sales (%) = 20,45%

Return on shareholders' equity (%) = 8,84%

The Company follows prudent liquidity risk management ensuring that adequate credit resources are available for fulfilling its liabilities in fixed terms. On 31March 2011 the Company's current assets exceeded short-term liabilities by LVL 617 115. The long-term liabilities include long-term component of long-term bank loan, which time limitaccording to the subsequent agreement is 31th of March, 2015. In 2011 the Company shall repay EUR 77 700. The Company management believes that the Company will have sufficient cash and its liquidity will not be endangered.

The first results of auctions in Finland shows that comparing with the last year the skin price has increased. The income forecast lets us plan a valuable animal growing to arrange the debt commitments, created in the last 2 years, in the terms approved.
Due to the resignation of two council members on March, 2011, the council of JSC „Grobina" worked in incomplete 3 member composition untill the regular shareholders meeting held on 28th of April, 2011. On the regular shareholders meeting on 28th, April, 2011, new, 5 member Council was elected. Due to the resignation of the Chairman of the Board on the 1st of March 2011, the board works at incomplete composition. The report is signed by 2 board members. The election of new Board member is planed on the regular Council meeting held on 27th May, 2011.

Member of the Board______________________________Gunta Isajeva

Member of the Board______________________________Andris Vītoliņš

16th of May 2011

DECLARATION ON MANAGEMENT RESPONSIBILITY

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

The JSC "Grobiņa" management confirms that the Financial Report for the first quarter of 2011 has been prepared according to the requirements of the valid laws and regulatons 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 complience with the Republic of Latvia legislation.

Member of the Board______________________________ Gunta Isajeva

Member of the Board______________________________ Andris Vītoliņš

16th of May, 2011

BALANCE SHEET

	ASSETS	Notes	31.03.2011 LVL	31.03.2011 EUR	31.03.2011 LVL	31.03.2011 EUR
Long-term investments						
I	***Intangible assets***					
	Concessions,patents, licences, trade marks and similar rights		2	3	20	28
	Total intangible assets		**2**	**3**	**20**	**28**
II	***Fixed assets***					
	Land, buildings, structures and perennials		378 241	538 188	410 588	584 214
	Equipment and machinery		95 504	135 890	73 361	104 383
	Other fixed assets and equipment		74 793	106 421	54 382	77 379
	Fixed assets under construction		25 100	35 714	26 340	37 478
	Total fixed assets		**573 638**	**816 213**	**564 671**	**803 454**
III	***Investment property***		**0**	**0**	**0**	**0**
IV	***Biological assets***		**623 827**	**887 626**	**286 654**	**407 872**
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		**2 852**	**4 058**	**2 852**	**4 058**
	Total long-term investments		**1 200 319**	**1 707 900**	**854 197**	**1 215 413**
Current assets						
I	***Stocks***					
	Raw materials and consumables		113 878	162 034	41 989	59 745
	Unfinished production		11 921	16 962	1 962	2 792
	Finished production and goods for sale		900 660	1 281 524	1 174 962	1 671 820
	Prepayment for goods		15 118	21 511	455	647
	Total stocks		**1 041 577**	**1 482 031**	**1 219 368**	**1 735 004**
III	***Accounts receivable***					
	Trade debtors	2	33 518	47 692	23 621	33 610
	Other debtors	3	7 759	11 040	6 119	8 707
	Deferred expenses	4	638	908	1 052	1 497
	Total debtors		**41 915**	**59 640**	**30 792**	**43 813**
V	***Cash (total)***		**73 714**	**104 886**	**116 187**	**165 319**
	Total current assets		**1 157 206**	**1 646 556**	**1 366 347**	**1 944 137**
	Total assets		**2 357 525**	**3 354 456**	**2 220 544**	**3 159 549**

BALANCE SHEET (continued)

	LIABILITIES	Notes	31.03.2011 LVL	31.03.2011 EUR	31.03.2011 LVL	31.03.2011 EUR
I	***Shareholders' equity***					
	Share capital (equity)		500 000	711 436	500 000	711 436
	Reserves:					
	d) other reserves		54 454	77 481	54 454	77 481
	Total reserves		54 454	77 481	54 454	77 481
	Retained profit					
	a) retained profit of the prrevious years		719 076	1 023 153	697 616	992 618
	b) retained profit of the reporting year		123 500	175 725	33 513	47 685
	Total retained profit		842 576	1 198 878	731 129	1 040 303
	Total shareholders' equity		**1 397 030**	**1 987 795**	**1 285 583**	**1 829 220**
II	***Provisions***					
	Other provisions		22 448	31 941	23 060	32 811
	Total provisions		**22 448**	**31 941**	**23 060**	**32 811**
III	***Creditors***					
I	***Long-term creditors***					
	Loans from credit institutions	5	163 426	232 534	273 907	389 735
	Other creditors	6	234 530	333 706	229 830	327 019
	Total long-term creditors		**397 956**	**566 240**	**503 737**	**716 753**
II	***Short-term creditors***					
	Loans from credit institutions	7	54 608	77 700	35 140	50 000
	Other loans	8	19 599	27 887	20 817	29 620
	Advance payments from customers	9	270 800	385 314	21 551	30 664
	Trade creditors	10	152 259	216 645	234 580	333 777
	Taxes and social security payments	11	24 573	34 964	82 631	117 573
	Other creditors	12	17 252	24 547	11 645	16 569
	Accrued liabilities	13	1 000	1 423	1 800	2 561
	Total short-term creditors		**540 091**	**768 480**	**408 164**	**580 765**
	Total creditors		**938 047**	**1 334 721**	**911 901**	**1 297 518**
	Total Liabilities		**2 357 525**	**3 354 456**	**2 220 544**	**3 159 549**

The items of the financial statement were converted to EUR according to the exchange rate fixed by the Bank of Latvia as at 31 March 2011:

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.

Member of the Board_______________________________ Gunta Isajeva

Member of the Board_______________________________ Andris Vītoliņš

16th of May 2011

PROFIT AND LOSS ACCOUNT

	Notes	31.03.2011 LVL	31.03.2011 EUR	31.03.2011 LVL	31.03.2011 EUR
Net turnover	14	603 988	859 397	450 010	640 307
Cost of sales	15	443 455	630 980	353 697	503 265
Gross profit or loss		**160 533**	**228 418**	**96 313**	**137 041**
Selling expenses	16	24 108	34 303	24 440	34 775
Administrative expenses	17	40 496	57 621	34 285	48 783
Other operating income	18	16 891	24 034	565	804
Other operating expenses	19	739	1 052	0	0
Profit or loss from operation		**112 081**	**159 477**	**38 153**	**54 287**
Other interest income and similar income	20	1	1	43	61
Interest expenses and similar expenses	21	16 848	23 973	4 683	6 663
Profit or loss before extraordinary items and taxes		**95 234**	**135 506**	**33 513**	**47 685**
Extraordinary income	22	29 506	41 983	0	0
Profit or loss before taxes		**124 740**	**177 489**	**33 513**	**47 685**
Other taxes	23	1 240	1 764	0	0
Profit or loss in the reporting year		**123 500**	**175 725**	**33 513**	**47 685**
Earnings per share (EPS)		**0,247**	**0,351**	**0,067**	**0,095**

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Member of the Board ______________________________ Andris Vītoliņš

16th of May, 2011

CASH FLOW STATEMENT (by indirect method)

		31.03.2011 LVL	31.03.2011 EUR	31.03.2011 LVL	31.03.2011 EUR
	I. Cash flow from operating activities				
1	Profit or loss before extraordinary items and taxes	**95 234**	**135 506**	**33 513**	**47 685**
	Adjustments:				
a)	depreciation of fixed assets;	18 262	25 984	16 734	23 810
b)	Intangible assets value write-offs;	12	17	35	50
c)	gain or loss from currency exchange rate fluctuations;	-16 327	-23 231	-565	-804
d)	other interest income and similar income;	-1	-1	-43	-61
e)	interest payable and similar expenses.	16 848	23 973	4 683	6 663
2	Profit or loss before changes in current assets	**114 028**	**162 247**	**54 357**	**77 343**
	Adjustments:				
a)	(increase)/decrease of biological assets	-22 448	-31 941	86 819	123 532
b)	(increase)/decrease in debtors saldo;	40 177	57 167	-140 017	-199 226
c)	(increase)/decrease in stock residuals;	234 809	334 103	217 278	309 159
d)	increase/(decrease) in residual accounts payable to trade creditors and other creditors	-404 308	-575 278	-97 182	-138 278
3	**Gross cash flow from operationing activities**	**-37 742**	**-53 702**	**121 255**	**172 530**
4	Interest payments	-16 848	-23 973	-4 683	-6 663
5	Expenses for real estate payments	-1 240	-1 764	0	0
6	**Cash flow before extraordinary items**	**-55 830**	**-79 439**	**116 572**	**165 867**
7	Cash flow from from extraordinary items	29 506	41 983	0	0
8	**Net cash flow from operating activities**	**-26 324**	**-37 456**	**116 572**	**165 867**
II.	***Cash flow from investing activities***				
1	Fixed asset and intangible asset additions	-1 535	-2 184	0	0
2	Interest income and similar income	1	1	43	61
9	**Cash flow from investing activities**	**-1 534**	**-2 183**	**43**	**61**
III.	***Cash flow from financing activities***				
1	Loans received	0	0	0	0
2	Subsidies, grants, endowments and donations received	0	0	0	0
3	Loans repaid	-16 920	-24 075	-35 140	-50 000
10	**Net cash flow from financing activities**	**-16 920**	**-24 075**	**-35 140**	**-50 000**
IV.	***Result of foreign currency exchange rate fluctuation***	16 327	23 231	565	804
V.	***Net cash flow in the reporting year***	**-28 451**	**-40 482**	**82 040**	**116 732**
VI.	***Cash and its equivalents at the beginning of the reporting year***	**102 165**	**145 368**	**34 147**	**48 587**
VII.	***Cash and its equivalents at the end of the reporting year***	**73 714**	**104 886**	**116 187**	**165 319**

Member of the Board ______________________________ Gunta Isajeva

Member of the Board ______________________________ Andris Vītoliņš

16th of May 2011

STATEMENT OF CHANGES IN EQUITY

Types of changes	Share capital LVL	Share capital EUR	Other reserves LVL	Other reserves EUR	Retained profit LVL	Retained profit EUR	Total LVL	Total EUR
Balance as at 31.12.2009.	*500000*	*711436*	*54454*	*77481*	*697616*	*992618*	*1252070*	*1781535,108*
Net profit or loss over the reporting period					21460	30535	**21460**	**30535**
Balance as at 31.12.2009.	***500000***	***711436***	***54454***	***77481***	***719076***	***1023153***	***1273530***	***1812069,937***
Net profit or loss over the reporting period					123500	175725	**123500**	**175725**
Balance as at 31.12.2010.	***500000***	***711436***	***54454***	***77481***	***842576***	***1198878***	***1397030***	***1987794,606***

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Member of the Board ______________________ Gunta Isajeva

Member of the Board ______________________ Andris Vītoliņš

16th of May, 2011

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.

The Profit or Loss Calculationt 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 comparing sums indicated in Balance sheet, cash flow schedule, profit or loss calculation schedule are from the same period of last year -31st March, 2010 and period January - March, 2010

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 as follows:

	Depreciation % per yer
Buildings, structures	1.7%-8.5%
Technilogical 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 occured 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. At the end of the Reference year the amount of decrease of the construction site has been revalued.

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 occured.

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.

	31.03.2011. (in lats)	31.03.2010. (in lats)	
1 USA dollar	**0,499**	**0,521**	(USD)
1 EUR	**0,702804**	**0,702804**	(EUR)
1 Lithuanian lit	**0,204**	**0,204**	(LTL)
1 Danish krone	**0,0942**	**0,0944**	(DKK)
1 Russian rouble	**0,0176**	**0,0177**	(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.
Liquidity risk.The company manages its liquidity risk by providing appropriate financing.

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 subsidiy. 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 valuated, 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

he 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 deductable 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

he Company' s biological assets are fur animals. The biological assets are evaluated at their fair value. The fair value is estimated according the cost price value.The alterations of the amount of biological assets, which have occured 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 the cost price calculation.

XV. Investment properties

The does not posess 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.