

JOINT STOCK COMPANY "GROBINA"

(REGISTRATION NUMBER 40003017297)

ANNUAL REPORT 2016

(26TH financial year)

PREPARED IN ACCORDANCE WITH

THE LAW OF THE REPUBLIC OF LATVIA

ON THE ANNUAL REPORT AND CONSOLIDATED ANNUAL REPORT

AND INDEPENDENT AUDITOR'S REPORT

Liepaja, 2017



Independent Auditor's Report

To the shareholders of JSC GROBINA

Our Opinion on the Financial Statements

We have audited the accompanying financial statements of JSC GROBINA ("the Company") set out on pages 9 to 23 of the accompanying annual report, which comprise:

- the balance sheet as at 31 December 2016,
- the profit and loss statement for the year then ended,
- the statement of changes in equity for the year then ended,
- the statement of cash flows for the year then ended, and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of JSC GROBINA as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

Basis for Opinion

In accordance with the Law on Audit Services of the Republic of Latvia we conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and independence requirements included in the Law on Audit Services of the Republic of Latvia that are relevant to our audit of the financial statements in the Republic of Latvia. We have also fulfilled our other professional ethics responsibilities and objectivity requirements in accordance with the IESBA Code and Law on Audit Services of the Republic of Latvia.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Reporting on Other Information

The Company management is responsible for the other information. The other information comprises:

- the Management Report, as set out on page 7 of the accompanying Annual Report,
- the Statement of Corporate Governance.

Our opinion on the financial statements does not cover the other information included in the Annual Report, and we do not express any form of assurance conclusion thereon, except as described in the *Other reporting responsibilities in accordance with the legislation of the Republic of Latvia* section of our report.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed and in light of the knowledge and understanding of the entity and its environment obtained, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other reporting responsibilities in accordance with the legislation of the Republic of Latvia

In addition, in accordance with the Law on Audit Services of the Republic of Latvia with respect to the Management Report, our responsibility is to consider whether the Management Report is prepared in accordance with the requirements of the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

Based solely on the work required to be undertaken in the course of our audit, in our opinion:

- the information given in the Management Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Management Report has been prepared in accordance with the requirements of the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

In accordance with the Law on Audit Services of the Republic of Latvia with respect to the Statement of Corporate Governance, our responsibility is to consider whether the Statement of Corporate Governance entails the information required in section 56.1, first paragraph, clause 3, 4, 6,, 8 and 9, as well as section 56.2, second paragraph, clause 5, and third paragraph of the Financial Instruments Market Law and if it includes the information stipulated in section 56.2 second paragraph, clause 1, 2, 3, 4, 7 and 8 of the Financial Instruments Market Law.

In our opinion, the Statement of Corporate Governance entails the information required in section 56.1, first paragraph, clause 3, 4, 6,, 8 and 9, as well as section 56.2, second paragraph, clause 5, and third paragraph of the Financial Instruments Market Law and it includes the information stipulated in section 56.2 second paragraph, clause 1, 2, 3, 4, 7 and 8 of the Financial Instruments Market Law.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements

or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

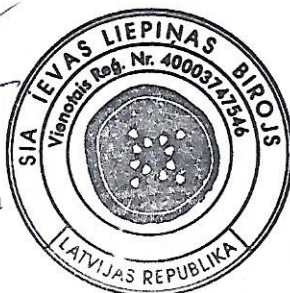
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and objectivity, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The responsible certified auditor on the audit resulting in this independent auditors' report is Ieva Liepiņa.

LLC "Ievas Liepiņas birojs"
License No. 139

Ieva Liepiņa
Member of the Board
Certified auditor of Latvia
Certificate No. 161



Rīga, Latvia

02 May 2017

CONTENTS

Information on the Company	6
Management report	7
Statement of Management Responsibility	8
Profit or losses statement	9
Balance sheet	10
Cash flow statement	12
Statement of changes in equity	13
Notes to the Financial statements	14

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	
Shareholders	Aksana Jansone, 41.27% Argita Jaunsleina, 23.98% Gundars Jaunsleinis, 25.75% Others, 9%	
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 Andris Vitolins – member of the board, since 10.03.2011 to 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 2016 to 31 st of December 2016	
Previous financial year	1 st of January 2015 to 31 st of December 2015	
Auditors	leva Liepina certified Auditor Certificate No. 161	Ltd „Ievas Liepinas birojs” Reg.No.40003747546 Brivibas street 39, Riga, LV-1010 License No.139

Management report

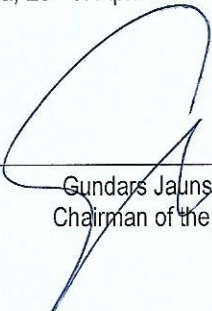
The main business activity of JSC "GROBINA" is fur-farming of minks for fur production and farm animals feed production.

In 2016 company has worked with net turnover of 2 750 528 EUR, representing decrease of 43%. In 2016 12 months has realized 131 356 mink skins and the average price of the skin is 22.3 EUR / pcs, while - 12 months of 2015 were sold 113 521 mink skins at an average sales price of 40.18 EUR / pcs. 2016 losses of the company is 2 266 725 EUR, net net loss per share is 4 54 EUR, but in 2015 was a net profit per share 1.5138 EUR. Average number of employees in 2016 was 118 employees, in 2015 - 108 employees.

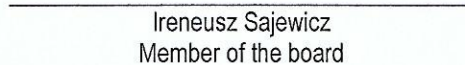
In the global markets in 2016 there was a dramatic fur sales prices fall, as compared to March 2015 the average auction price of EUR 48.44 - March 2016 auction, the average price fell by 54% and amounted to only EUR 22.30. Consequently, it is given that March 2016 was sold at auction essential JSC "Grobina" produced skin amount ~ 78 300 skins - JSC "Grobina" cash flow March planned auction revenues lagged behind by about 2 million. EUR. Result of these developments the company was unable to meet in full its obligations towards its creditors. Thus, the rapid response to the situation in the Court there was submitted an application for the JSC "Grobina" process of legal protection proceedings. Consequently, the Court of Liepaja on April 6, 2016 a decision was instituted Nr.C20153616 JSC "Grobina" legal protection proceedings. As the majority of the creditors, according to the Insolvency Law Article 42, third paragraph, agreed JSC "Grobina" management developed by the process of legal protection plan with respect to the accumulation of unsecured creditors (suppliers) debts essentially provides only the debt principal repayments deferred until June 2018, based on the Liepaja Court judgment of 29 June 2016 the JSC "Grobina" May 17, 2016 the legal defence plan was approved. By 3d of March 2017, Liepaja court decision is confirmed JSC "Grobina" redress process plan amendments.

Since JSC "Grobina" legal protection proceedings prosecution company continues economic activities in accordance with an approved JSC "Grobina" legal protection process action plan and its amendments. JSC "Grobina" legal protection proceedings action plan was based on a forecast that the 2017 the average auction price will be EUR 30 per skin, according to the March 2017 auction results have materialized as a result of the JSC "Grobina" management reasonably believes that company will be able to comply with the court approved legal protection process action plan and to restore its ability to cover its financial obligations. In addition, based on the performance of the project as an independent fur animal feed production factory establishment, JSC "Grobina" can make realization of produced fur animal feed to other companies in industry in Latvia, as well in abroad, thus gaining more revenue in addition to the production of fur.

Liepaja, 28th of April 2017


 Gundars Jaunslenis
 Chairman of the board


 Gunta Isajeva
 Member of the board


 Ireneusz Sajewicz
 Member of the board

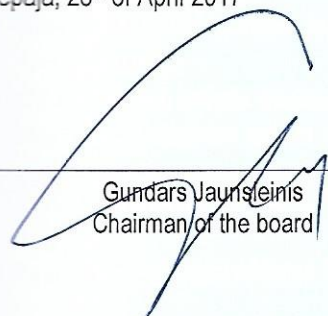
Statement of Management Responsibility

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 9. to 23. 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, 28th of April 2017



Gundars Jaunsleinis
Chairman of the board



Gunta Isajeva
Member of the board




Ireneusz Sajewicz
Member of the board

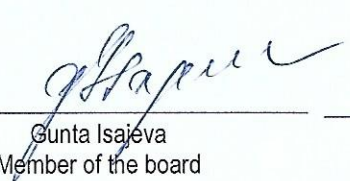
Profit or losses statement

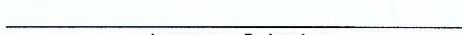
	Notes	2016 EUR	2015 EUR
Net turnover:			
of the agricultural activity		2 750 528	4 865 347
Costs of goods sold or services provided	2	(4 520 662)	(5 009 049)
Gross profit or lossess		(1 770 134)	(143 702)
Distribution expenses	3	(13 480)	(138 377)
Administrative expenses	4	(312 105)	(502 178)
Other operating income	5	241 069	1 583 139
Other operating expenses	6	(6 045)	(54 258)
Interest and similar expenses, incl.:			
for other parties	7	(539 060)	(534 445)
Profit or lossess before corporate income tax		(2 399 755)	210 179
Changes in deferred tax assets or liabilities		133 030	546 724
Profit or lossess for the financial year		(2 266 725)	756 903


Notes are an integral part of these financial statements.

Liepaja, 28th of April 2017


 Gundars Jaunsleinis
 Chairman of the board


 Gunta Isajeva
 Member of the board


 Ireneusz Sajewicz
 Member of the board


 Liene Vike
 Accountant

Balance sheet**ASSETS**

	Notes	31.12.2016. EUR	31.12.2015. EUR
NON-CURRENT ASSETS			
Fixed assets			
Immovable properties:			
land plots, buildings and engineering structures	8	6 264 654	6 612 025
Fauna and flora:			
draft animals or productive animals and perennial plantings		3 841 976	3 840 173
Technological equipment and machinery	8	5 137 286	5 345 949
Other fixed assets	8	789 104	990 875
Advances for fixed assets	8	27 354	148 221
TOTAL		16 060 374	16 937 243
Non-current financial investments			
Deferred tax assets	16	567 476	434 446
TOTAL		567 476	434 446
TOTAL NON-CURRENT ASSETS		16 627 850	17 371 689
CURRENT ASSETS			
Inventories			
Raw materials and consumables	9	122 869	82 674
Work in progress	9	-	884
Finished goods and goods for sale	9	3 388 194	4 735 811
Advances for inventories		26 613	26 248
Fauna and flora			
animals and annual plantings	9	252 696	462 051
TOTAL		3 790 372	5 307 668
Account receivable			
Trade receivables	10	183 937	326 095
Other receivables	11	135 709	17 313
Deferred expenses		5 819	12 049
Accrued income		-	224 705
TOTAL		325 465	580 162
Cash and bank	12	22 792	1 803
TOTAL CURRENT ASSETS		4 138 629	5 889 633
TOTAL ASSETS		20 766 479	23 261 322

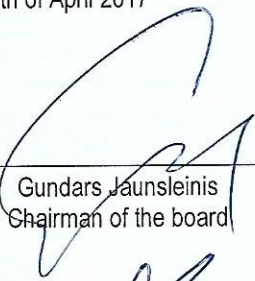
Notes are an integral part of these financial statements.


Balance sheet**EQUITY, PROVISIONS AND LIABILITIES**

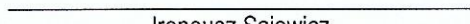
	Notes	31.12.2016 EUR	31.12.2015 EUR
EQUITY			
Share capital	13	711 436	711 436
Reserves:			
other reserves		77 481	77 481
Retained earnings or uncovered losses brought forward from previous years		1 376 406	619 503
Current year profit or losses		(2 266 725)	756 903
TOTAL EQUITY		(101 402)	2 165 323
LIABILITIES			
Non-current liabilities			
Loans from banks	14	6 057 667	5 656 571
Other borrowings	15	2 362 122	2 260 317
Trade payables		1 669 903	1 669 903
Taxes and state social insurance payments		359 570	117 355
Deferred income	18	2 041 707	2 140 024
TOTAL		12 490 969	11 844 170
Current liabilities			
Loans from banks	14	275 000	776 096
Other borrowings	15	87 400	236 143
Advances from customers		1 852 287	2 489 419
Trade payables		5 148 304	4 785 071
Taxes and state social insurance payments		203 965	217 858
Other creditors	17	571 126	538 710
Deferred income	18	98 317	98 317
Accrued liabilities		140 513	110 215
TOTAL		8 376 912	9 251 829
TOTAL LIABILITIES		20 867 881	21 095 999
TOTAL EQUITY, PROVISIONS AND LIABILITIES		20 766 479	23 261 322


Notes are an integral part of these financial statements.

Liepaja, 28th of April 2017


 Gundars Jaunsleinis
 Chairman of the board


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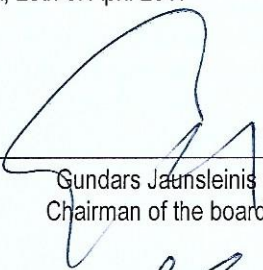

 Liene Vike
 Accountant


Cash flow statement

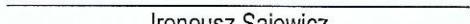
	2016	2015
Cash flow from operating activities		
Profit or losses before corporate income tax	(2 399 755)	210 179
Adjustments for:		
depreciation and impairment of fixed assets	907 691	523 023
provisions (except provisions for doubtful debts)	-	(12 589)
interest and similar revenue	525 344	441 027
Profit or loss prior to changes in current assets and current liabilities	(966 720)	1 161 640
Increase or decrease of account receivable	254 697	(743 654)
Increase or decrease of inventory	1 517 296	872 742
Increase or decrease of account payables and other liabilities	(397 616)	3 074 613
Gross cash flow generated from operating activities	407 657	4 365 341
Interest payments	(255 846)	(275 409)
Net cash flow generated from operating activities	151 811	4 089 932
Cash flow from investing activities		
Acquisition of fixed and intangible assets	(30 822)	(5 110 438)
Net cash flow generated from investing activities	(30 822)	(5 110 438)
Cash flow from financing activities		
Loans received	-	1 442 522
Subsidies, grants, gifts or donations received	-	60 383
Repayment of loans	(100 000)	(524 374)
Net cash flow generated from financing activities	(100 000)	978 531
Net cash flow in the financial year	20 989	(41 975)
Cash and cash equivalents at the beginning of the financial year	1 803	43 778
Cash and cash equivalents at the end of the financial year	22 792	1 803

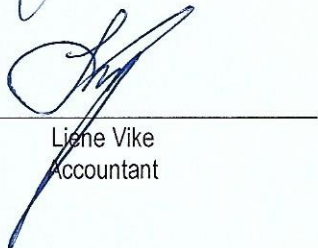
Notes are an integral part of these financial statements.

Liepaja, 28th of April 2017


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 Member of the board

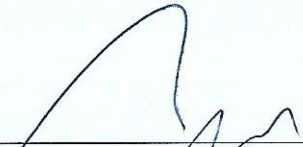

 Liene Vike
 Accountant


Statement of changes in equity

	Share capital	Reserves	Retained earnings or uncovered losses brought forward from previous years	Current year profit or losses	Total
Opening balance 31.12.2014	711 436	77 481	2 276 944	(2 139 850)	926 011
Increase/decrease in retained earnings	-	-	-	756 903	756 903
Changes in accounting policies	-	-	482 409	-	482 409
Prior year adjustments	-	-	(2 139 850)	2 139 850	-
Opening balance 31.12.2015	711 436	77 481	619 503	756 903	2 165 323
Increase/decrease in retained earnings	-	-	-	(2 266 725)	(2 266 725)
Prior year adjustments	-	-	756 903	(756 903)	-
Closing balance 31.12.2016	711 436	77 481	1 376 406	(2 266 725)	(101 402)

Notes are an integral part of these financial statements.

Liepaja, 28th of April 2017


Gundars Jaunsleinis
Chairman of the board


Liene Vike
Accountant


Gunta Isajeva
Member of the board

Ireneusz Sajewicz
Member of the board

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.

Changes in accounting policies

Due to adoption of the Law on the Annual Report and Consolidated Annual Report (the Law) in 2016, the Company has changed the accounting standards as mentioned below.

Due to enactment of the Law, the structural form of the balance sheet, income statement. Moreover, to improve a clear and fair presentation, the Company performed reclassification of certain types of revenue and costs. Prior year comparatives were classified in the financial statements according to the principles of the financial year and are comparable. Reclassification does not affect the financial results.

Name of items reclassified	31.12.2015 Adjusted EUR	Adjustments EUR	31.12.2015 Prior adjustments EUR
<i>Profit or losses statement</i>			
Costs of goods sold or services provided	5 009 049	9 341	4 999 708
Other taxes	-	(9 341)	9 341
<i>Balance sheet</i>			
Other provisions	-	(58 517)	58 517
Accrued liabilities	110 215	58 517	51 698

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.

1. Summary of accounting policies (continuation)

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.

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..

1. Summary of accounting policies (continuation)

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.

2. Costs of goods sold or services provided

	2016	2015
Sold mink skins production prime cost	3 829 913	2 440 414
Comunal service costs	208 029	238 407
Other services and transport costs	162 965	113 761
Fixed asset repair and maintenance costs	10 131	21 241
Employees salary	451 667	623 789
State social insurance payments and other social guarantees for employees	105 331	147 731
Fixed addets depreciation	738 488	496 172
Insurance costs	34 230	31 314
Adjustments	(1 012 464)	901 234
Taxes	9 660	9 343
Vacation provisions	(17 288)	(14 357)
TOTAL:	4 520 662	5 009 049

3. Distribution expenses

	2016	2015
Commission expenses	11 207	132 113
Advertising and representation costs	2 273	6 264
TOTAL:	13 480	138 377

4. Administrative expenses

	2016	2015
Office maintenance and communication services costs	15 501	11 359
Book keepind and other professional service expenses	39 055	77 281
B ank service costs	5 198	108 274
Transport and business trip costs	22 307	43 420
Other administration and management expenses	37 865	36 302
Membership fees	7 863	3 659
Administration salary	149 206	168 302
State social insurance contributions for administration	35 110	36 813
Fixed assets depreciation	-	15 000
Vacation provisions	-	1 768
TOTAL:	312 105	502 178

5. Other operating income

	2016	2015
Public subsidies for breeding animals for breeding	42 753	60 384
EU co-financing and support payments	98 316	99 280
Proceeds from the write-off Guarantee	-	1 362 190
Proceeds from unsolicited accounts payable	-	59 055
Profit from sale of fixed assets, net	-	2 230
Other revenue	100 000	-
TOTAL:	241 069	1 583 139

6. Other operating expenses

	2016	2015
Losses from disposal of intangible and fixed assets	1 619	-
Income	(48 621)	-
Expenses	50 240	-
With economic activities not directly related to representation expenses	4 426	49 048
Bad debts	-	5 210
TOTAL:	6 045	54 258

7. Interest and similar expenses

	2016	2015
Penalties paid	15 962	93 418
Interest paid on advances	74 789	45 711
Interest payments on leases and loans	448 309	395 316
TOTAL:	539 060	534 445

8. Fixed assets

	Land plots , buildings and engineering structures	Technological equipment and machinery	Other fixed assets	Fixed assets under development and construction in progress	Advances for fixed assets	TOTAL
31.12.2014						
Initial value	7 443 428	743 389	1 138 119	1 371 393	273 543	10 969 872
Accumulated depreciation and improvements	(1 428 123)	(656 107)	(375 987)	-	-	(2 460 217)
Balance sheet value 31.12.2014	6 015 305	87 282	762 132	1 371 393	273 543	8 509 655
2015						
Balance sheet value 01.01.2015	6 015 305	87 282	762 132	1 371 393	273 543	8 509 655
Purchase and improvements	929 345	5 302 098	375 710	-	-	6 607 153
Cut off	-	-	(14 081)	-	-	(14 081)
Cut off	-	-	2 230	-	-	2 230
Movements	-	-	-	(1 371 393)	(125 322)	(1 496 715)
Depreciation calculated	(332 625)	(43 431)	(135 116)	-	-	(511 172)
Balance sheet value 31.12.2015	6 612 025	5 345 949	990 875	-	148 221	13 097 070
31.12.2015						
Initial value	8 372 773	6 045 487	1 499 748	-	148 221	16 066 229
Accumulated depreciation and improvements	(1 760 748)	(699 538)	(508 873)	-	-	(2 969 159)
Balance sheet value 31.12.2015	6 612 025	5 345 949	990 875	-	148 221	13 097 070
2016						
Balance sheet value 01.01.2016	6 612 025	5 345 949	990 875	-	148 221	13 097 070
Purchase and improvements	-	29 739	1 083	-	-	30 822
Cut off	-	-	(72 965)	-	-	(72 965)
Cut off	-	-	22 826	-	-	22 826
Movements	-	-	-	-	(120 867)	(120 867)
Depreciation calculated	(347 371)	(238 402)	(152 715)	-	-	(738 488)
Balance sheet value 31.12.2016	6 264 654	5 137 286	789 104	-	27 354	12 218 398
31.12.2016						
Initial value	8 372 773	6 075 226	1 427 866	-	27 354	15 903 219
Accumulated depreciation and improvements	(2 108 119)	(937 940)	(638 762)	-	-	(3 684 821)
Balance sheet value 31.12.2016	6 264 654	5 137 286	789 104	-	27 354	12 218 398

9. Inventories

	31.12.2016	31.12.2015
Raw materials and consumables, including	122 869	82 674
fodder	116 718	71 298
fuel for heating	6 151	8 145
repair materials	-	350
fuel, gas	-	1 117
Shavings for skin processing	-	1 764
Work in progress, including	-	884
Raw mink skins	-	884
Finished goods and goods for sale, including	3 388 194	4 735 811
Mink skins	3 388 194	4 735 293
Other	-	518
Animals and annual plantings	252 696	462 051
Provisions	(-)	(-)
TOTAL:	3 763 759	5 281 420

10. Trade receivables

	31.12.2016	31.12.2015
Trade receivables	183 937	326 095
Provision for doubtful debts	(-)	(-)
TOTAL:	183 937	326 095

11. Other receivables

	31.12.2016	31.12.2015
Tax receivables and tax prepayments	46 450	5 553
Advance payments for services	11 646	11 646
The security lodged	3 210	114
Loans for board and council members	74 403	-
Provisions for doubtful advance payments	(-)	(-)
TOTAL:	135 709	17 313

12. Cash and bank

	31.12.2016		31.12.2015	
	currency	EUR	currency	EUR
Funds, EUR	EUR	22 792	EUR	1 803
TOTAL (EUR):		22 792		1 803

	31.12.2016	31.12.2015
Nauda		
Cash	532	532
Bank	22 260	1 271
TOTAL (EUR):	22 792	1 803

13. Share capital

Shareholders	31.12.2016		31.12.2015	
	Position in company	%	Position in company	%
Aksana Jansone	No	41.27	No	41.27
Gundars Jaunsleinis	Chairman of the board	25.75	Chairman of the board	25.75
Argita Jaunsleine	Member of the council	23.98	Member of the council	23.98
Other shareholders	X	9.00	X	9.00
TOTAL:	x	100.00	x	100.00

The company's share capital on 31.12.2015 amounts to EUR 711 435 (EUR 500 000), it consists of 500 000 shares with a nominal value of 1 lats or 1,423 euros. December 31, 2015 public circulation is 500 000 bearer shares.

All share capital has been paid up.

Restrictions on alienation of shares or specific consent of the receiving disposal of shares have been determined. The statutes are not subject to special restrictions or provisions relating to the right to vote and the public is not aware of any shareholders agreement of this kind. Each member shall have the right to represent the company individually. Between the company and members of the board there is no agreement on the compensation, resigns.

The statutes are not subject to special restrictions or provisions relating to the election of board members, changes in the composition of the Board and amendment of the statutes.

14. Loans from banks

Long term	The term of payment	31.12.2016	31.12.2015
		EUR	EUR
Loan, EUR *	May 2022	6 057 667	5 656 571
TOTAL:		6 057 667	5 656 571

Short term	The term of payment	31.12.2016	31.12.2015
		EUR	EUR
Loan, EUR *	May 2022	275 000	776 096
TOTAL:		275 000	776 096

* Suitable loan annual interest rate consists of the bank set the margin rate and a variable base rate - Euribor.
For more than 5 years, repayable tranche is EUR 1 000 000.

15. Other borrowings

	The term of payment	31.12.2016	31.12.2015
Long term		EUR	EUR
Other loans from residents, individuals, EUR*	*	674 022	771 022
Other loans from residents, legal entities, EUR	29.05.2020	1 211 370	1 062 604
Financial lease commitments, EUR**	2 – 5 years	476 730	426 690
TOTAL:		2 362 122	2 260 317

	The term of payment	31.12.2016	31.12.2015
Short term		EUR	EUR
Financial lease commitments, EUR	2 – 5 years	87 400	236 143
TOTAL:		87 400	236 143

* Credit lending rate is 0% and the repayment date by agreement is May 27, 2022

** Finance lease (leasing) contracts, which falls due later than one year but not more than five years after the year end.

16. Deferred tax

Deferred tax is calculated from the following temporary differences between assets and liabilities and their values for corporate income tax purposes:

	2016	2015
Deferred tax liabilities at the beginning of reporting year	(434 446)	112 278
Deferred tax expense / (income) statement of profit and loss	(133 030)	(546 724)
Deferred tax liabilities / (assets) at the end of reporting year	(567 476)	(434 446)

- Temporary difference on depreciation of fixed and intangible assets 4 856 240
- Tax losses carried forward (2 590 957)

Net temporary difference EUR 3 783 174, deferred tax assets EUR 567 476.

17. Other creditors

	31.12.2016	31.12.2015
Salaries for December	53 877	98 700
Deductions from salaries	383	1 188
Deposited salary, injury compensation	(416)	536
Advanced payment receiving person debts	-	5 886
Other creditors	517 282	432 400
TOTAL:	571 126	538 710

18. Deferred income

	31.12.2016	31.12.2015
EU structural funds, long-term part	2 041 707	2 140 024
EU structural funds, short-term part	98 317	98 317
TOTAL:	2 140 024	2 238 341

19. Management salaries and number of employees

Management contributions	2016	2015
Salary	86 224	59 328
Compulsory social insurance contributions	20 341	12 651
Salary of the company's board, total:	106 565	71 979

The Company's Council members do not receive remuneration.

The average number of employees during the reporting year	118	108
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20. Collateral and securities

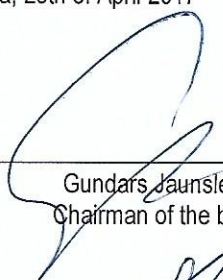
All the company's assets as a set of case and its future components, including the mark "A / S GROBINA" herd u.t.t. stocks are pledged as security for credit and the Finnish auction house Saga Furs of advances paid for the security. Secured claims the maximum amount of the balance sheet date amounts to EUR 21 435 562.


21. Subsequent events

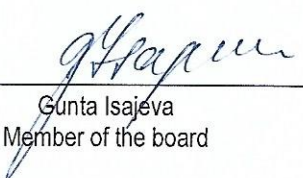
By 3d of March 2017, Liepaja court decision is confirmed JSC "Grobina" redress process plan amendments.

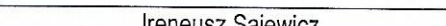
There are no others subsequent events since the last date of the financial year until the date of signing of financial statements, which would have a significant effect on the financial position of the Company as at 31 December 2016.

Liepaja, 28th of April 2017


Gundars Jaunsleņis
Chairman of the board


Liene Vike
Accountant


Gunta Isajeva
Member of the board


Ireneusz Sajewicz
Member of the board