

Joint Stock Company
GROBINA

2007 Annual report

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GENERAL INFORMATION

Company name	Joint-stock company "Grobiņa"
Legal form	Public joint-stock company
Registration number, place, date in commercial register	Unified registration number: 40003017297 Riga July 12, 2004
Legal address	Lapsu Street 3, Dubeni, Grobina district, Liepaja region, Latvia, LV- 3438
Principal activities	Fur-farming, agricultural produce production, refinement and realization, trade and mediation, transport services, premises rental
Joint-stock company "Grobiņa" chairman of council	Andris Upenieks till 06.07.2007. Jānis Siliņš from 10.07.2007.
Joint-stock company "Grobiņa" councillors	Jānis Siliņš till 06.07.2007 Agris Nagliņš till 06.07.2007. Ojārs Petrēvics Jānis Briedis Genādijs Jefimovs from 06.07.2007. Silvija Neimane from 06.07.2007.
Joint-stock company "Grobiņa" chairman of board	Laimonis Laugalis till 27.04.2007. Daina Kalniņa from 18.05.2007.
Joint-stock company "Grobiņa" regents	Anatolijs Gorbunovs till 12.10.2007. Gunta Isajeva Andris Vītoliņš from 25.10.2007.
Financial period	January 1, 2007 – December 31, 2007
Auditor	"Auditorfirma Grāmatvedības un revīzijas birojs" SIA Brīvības street 85, Riga, LV-1001, Latvia Certified auditor Aija Kurta Certificate No. 128 Certified auditors commercial company Certificate No. 123

MANAGEMENT REPORT

Basic activity direction of joint-stock company "Grobiņa" is mink, silver fox breeding for furry extraction.

In year 2007 the extraction indices was higher than year before, -from one mink mother raised 5,4 puppies and from one silver fox mother raised 5,1 puppies. To raise animal productivity, to raise a quality of skins in 2007 has been bought breeding animals for 49 thousand LVL.

In 2007 net turnover is 1,82 million LVL. In compared to last year it has decrease for 8%. Sold skins amount has increased for 11% but in previous season prices in Scandinavian auction houses where JSC "Grobiņa" sales major amount of skins, has decreased.

In year 2007 there was made 129 thousands LVL investments in production machine and buildings. The renew work has been made in farm, food kitchen, freezers. The new food machine has been purchase, also clarification and new pelting machinery was purchased.

In JSC "Grobiņa" in year 2007 the average staff amount was 131 employees.

Joint stock company "Grobiņa" regularly and without obstruction has paid all taxes, salaries and other payments. In year 2007 average earnings has grow for 34% and was 389.31 LVL. In taxes paid 371 thousands LVL.

Company controls financial risks. Most borrowings has been in DKK and EUR, that has been stabile currency, company management in nearest future does not see serious financial risks. Borrowings made by company need to be paid back in EUR. Realisation results in last few years shows that company occupies stabile place in fur market and its productions is competitive.

In 2007 net earnings per stock are 0,100 LVL or 0,143 EUR; 2006. – 0,572 LVL or 0,814 EUR.

In year 2008 there is a plan to continue to renew breeding animals, that will cost about 70 thousands LVL

Investments in production machine, buildings and machinery planed to spend 200 thousands LVL.

In next financial period plan to have 1,9 million LVL sales proceed.

Join stock company "Grobiņa" board recommends year 2007 profit leave undivided for manufacture development and modernisation.

Daina Kalniņa
Chairman of board

Dubeni, 27 February 2008

PROFIT OR LOSS STATEMENT FOR JANUARY- DECEMBER 2006

	Attach ment	2007 LVL	2006 LVL
1. Net turnover	1	1817829	1983610
2. Cost of sales	2	(1520127)	(1465175)
3. Gross profit		297702	518435
4. Sales distribution costs	3	(84446)	(59783)
5. Administration costs	4	(123666)	(110637)
6. Other operating income	5	20683	43549
7. Other operating expenses	6	(16428)	(21260)
10. Other interest receivable and similar income	7	66	7
12. Interest payable and similar expenses	8	(35630)	(17234)
16. Profit before tax		58281	353077
17. Tax on profit for financial period	9	(9702)	(45696)
18. Suspended enterprise income tax	10	2844	(21328)
18. Other Taxes	11	(1219)	(188)
19. Profit for the financial period		<u>50204</u>	<u>285865</u>

Attachments from page 10 till page 19 are unalienable constituent of this annual report.

Daina Kalniņa
Chairman of board

Dubeni, 27 February 2008

BALANCE ON 31 OF DECEMBER, 2007

	Attach ment	2007 Ls	2006 Ls
<u>Assets</u>			
Long – term investments			
I. Intangible investments	12		
2. Concessions, patents, licenses, trade-marks and similar rights		436	600
Intangible investments totally:		436	600
II. Fixed assets:	13		
1. Lands, buildings, constructions and perennial plantations		474582	411138
3. Technological equipments and machines		179167	213513
4. Other fixed assets and inventory		104738	113199
5. Forming of fixed assets and costs of unfinished objects of construction		12579	12579
6. Advance payments for fixed assets		13761	13761
Fixed assets totally:		784827	764190
IV. Biological assets	14	557700	496591
V. Long-term financial investments	15		
5. Other securities and investments		352	352
7. Own stocks and shares		2500	2500
Long term financial investments totally:		2852	2852
Long-term investments totally:		1345815	1264233
Current assets			
I. Stocks:			
1. Raw materials, direct materials and auxiliary materials		72314	113770
3. Complete products and goods for sale		1994842	1384808
5. Advance payments for goods		2100	-
Stocks totally:		2069256	1498578
II. Debtors:			
1. Costumers and clients debts	16	9999	83073
4. Other debts	17	12179	10292
7. Expenses of next period	18	1387	1144
Debtors totally:		23565	94509
IV. Cash assets	19	157980	477348
Current assets totally:		2250801	2070435
<u>Assets totally</u>		3596616	3334668

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BALANCE ON 31 OF DECEMBER, 2007

	Attac hment	2007 LVL	2006 LVL
<u>Liabilities</u>			
Equity capital:	20		
1. Stock or share capital		500000	500000
5. Reserves			
d) Other reserves		54454	54454
6. Retained profit			
a) Retained profit for previous year		1617129	1331264
b) Retained profit for the year accountant		50204	285865
Equity capital totally:		2221787	2171583
Stockpiles:			
3. Other stockpiles		55080	38934
Stockpiles totally:	21	55080	38934
Creditors:			
Long-term debts:			
3. Suspended tax liabilities	22	36710	39554
4. Other borrowings	23	227480	251920
12. Deferred income	24	-	3159
Long-term debts totally:		264190	294633
Short-term debts:			
3. Borrowings from credit institution		352832	139858
5. Costumers advanced payments		416131	446956
6. Debts to suppliers and contractors	25	184300	107729
10. Tax and social security payments			
	26	41557	81423
11. Other creditors	27	45713	44595
12. Deferred income	28	3159	3158
15. Accrued liabilities	29	11867	5799
Short-term debts totally:		1055559	829518
Creditors totally:		1319749	1124151
<u>Liabilities totally</u>		3596616	3334668

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Daina Kalniņa
Chairman of board

Dubeni, 27 February 2008

STATEMENT OF CHANGES IN EQUITY 2007

	Equity capital	Other reserves	Retained profit	Totally
	LVL	LVL	LVL	LVL
January 1, 2006	500000	54454	1331264	1885718
Profit for the financial period			285865	285865
	500000	54454	1617129	2171583
December 31, 2006				
Profit for the financial period			50204	50204
December 31, 2007	500000	54454	1667333	2221787

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Daina Kalniņa
Chairman of board

Dubeni, 27 February 2008

CASH FLOW STATEMENT 2007

	Attac hment	2007 LVL	2006 LVL
Business activities cash flow			
1. Profit or loss before tax		58281	353077
<u>Corrections:</u>			
a) wear of fixed assets		108190	93310
b) amortization of immaterial investment assets		164	236
c) liquidation of fixed assets		185	1099
d) formation of accumulations		16146	14394
e) profit of loss from foreign currency exchange rate fluctuation		(2840)	3317
f) received subsidies endowments, grants and donation		(17188)	(28792)
g) other tax income and other income		(66)	(7)
h) percentage payments		35630	17234
i) donations		1	2000
2. Profit of loss before current assets and short-term liabilities residue correction influence		198503	455868
a) Biological asset (increase)/ decrease		(61109)	(89692)
b) Stock residue (increase)/ decrease		(570678)	(348187)
c) Debtors debt residue (increase)/ decrease		70944	10247
d) To suppliers, contractors and other creditors payable debt residue increase/ (decrease)		7064	513073
3. Gross basic activities cash flow		(355276)	541309
4. expenses for percentage payments		(35630)	(17234)
5. expenses for enterprise income tax		(9702)	(45696)
6. Suspended enterprise income tax		2844	(21328)
7. Realty tax costs		(1219)	(188)
8. Basic activity net cash flow		(398983)	456863
Investments action cash flow			
1. Company stock or share purchase.		-	(2500)
2. Fixed assets and intangible investments purchase		(129012)	(183006)
3. Percentage benefit		66	7
9. Investments activity net cash flow		(128946)	(185499)
Financing activity cash flow			
1. Received borrowings		249168	196482
2. Received subsidies endowments, grants and donation		17188	28792
3. Costs about credit repayment		(60634)	(137685)
4. Expenses for donations		(1)	(2000)
10. Financing activity net cash flow		205721	85589
Foreign currency exchange rate fluctuation result		2840	(3317)
Financial period net cash flow		(319368)	353636
Cash and its equivalents residue in the beginning of financial period		477348	123712
Cash and its equivalents residue in the end of financial period	19	157980	477348

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Daina Kalniņa
Chairman of board
Dubeni, 27 February 2008

ATTACHMENT

I. Accountancy politics

1. General principle

Financial report is produced according to laws of Republic of Latvia "About accountancy", "About annual reports" and Latvia accountancy standards.

Profit or loss statement produced according to turnover expenses scheme.

Cash flow statement produced, basic activities cash flow determine by indirect method.

2. Net turnover

Net turnover is sold production in financial period- mink, silver foxes, polar foxes furry- and total sum of service value with out any assigned discounts and value added tax.

3. Exchange foreign currency in LVL

Accountancy in enterprise is done in LVL. All deals with foreign currency are converted in LVL according to official foreign currency rate to The Bank of Latvia in day when deal is managed.

Assets and obligations in foreign currency are converted in LVL according to the bank of Latvia given rates in the last day of financial period. Foreign currency exchange rate fluctuation profit of loss is showed in respectively profit or loss statement.

	2007 LVL	2006 LVL
1 USD	0,484	0,536
1 EUR	0,702804	0,702804
1 DKK	0,0942	0,0943
1 LTL	0,204	0,204
1 RUB	0,0197	0,0203

4. Intangible investments and fixed assets

In intangible investments was showed value of computer program licences, with the exception of value decrease. Intangible investments are planed to include in expenses in five years.

All fixed assets are showed same as purchase value, with the exception of abrasion. Abrasion is calculated according to linear method accordingly of useful exploitation of fixed assets, using rates to each fixed asset given by direction:

Category of fixed assets	Rate of wear %
Lands and buildings	1,7% - 8,5%
Technological equipments and machines	5,3% - 25%
Other fixed assets	9,1% - 33,33%

5. Biological assets

Fur animals is acknowledge in composition of biological assets.

6. Stocks

Stocks valued using FIFO method.

Stocks showed in the lowest of their market value or their first cost. Remains of raw materials and materials valued in purchase costs. Remains of finished product and remains of furry are valued in actual cost price. If necessary in case of outdated, slow turnover or defective stock value is amortize or set accumulation that is discharge from stock balance value.

7. Debtor liability

In balance sheet debtor liability is showed in net value, with the exception of doubtful debt accumulation. Special accumulations of doubtful debt is done when direction of enterprise decides that this detach debtors liability restoration is doubtful.

8. Cash and its equivalents

In cash flow statement cash and its equivalents component cash from booking office, current account residuals and guarantee deposit of debit card.

9. Taxes

Enterprise income tax costs in financial period are included in annual report according to calculations made by management based on legislation of Republic of Latvia.

Suspended tax is calculated according to obligation method on all temporary differences between assets and liabilities value in annual reports and its goals to taxes calculation value. Temporary differences originate mostly by using different wear of fixed assets rates and also from unused vacations. In case when total suspended tax result should be included in balance assets, it is included in annual report only then when returns is trust worth.

10. Stockpiles of unused vacation

Uzkrājumi atvaļinājumiem tiek aprēķināti kā kopējie uzkrājumi visiem darbiniekiem, ņemot vērā katra darbinieka vidējo dienas atalgojumu un uzkrāto atvaļinājuma dienu skaitu pārskata perioda beigās.

11. Endowment

Received endowment for purchasing fixed assets is enumerate as next period income which includes step by step in income about endowments in period of useful operating with fixed assets.

II. Explanation of several "Profit or loss statement" positions

(1) Net turnover

Net turnover divisional in basic activity mode

	2007	2006
	LVL	LVL
Mink skins	1688516	1880358
Silver fox skins	71803	23372
Polar fox skins	15635	15700
Various utility	41875	64180
	<u>1817829</u>	<u>1983610</u>

Net turnover breakdown by geographical sale

Latvia	212152	249591
Russia	8377	152568
AAE	31131	26785
Finland	352915	321591
Lithuania	146478	99551
Denmark	1022096	1041214
Greece	-	85597
Ukraine	44680	6713
	<u>1817829</u>	<u>1983610</u>

(2) Sold production operating costs

Forage	675389	711959
Personnel costs	492020	417639
Wear of fixed assets	68680	72855
Medication	56900	61853
Electricity	38310	43808
Other production costs	188828	157061
	<u>1520127</u>	<u>1465175</u>

(3) Cost of sales

Commission to auction houses	82869	58760
Media advertising expenditures	1577	1023
	<u>84446</u>	<u>59783</u>

(4) Administration costs

Office maintenance expenses	7131	6832
Wage	53473	51816
State social security compulsory payments	9834	10434
Various utility	9696	4826
Wear and amortization of fixed assets and immaterial investment	5689	6293
Business trip	1586	7810
Other expenses	36257	22626
	<u>123666</u>	<u>110637</u>

(5) Other enterprise income from commercial activities

	2007	2006
	Ls	Ls
Income from difference between value of certificate invested in land privatisation and its sales costs	-	9325
Subsidy for breeding animals purchasing	14030	25634
ES SAPARD program financial support	3158	3158
Various income	655	329
Sold fixed assets	2840	-
Income from difference between value of certificate invested in land privatisation and its sales costs	-	5103
	<u>20683</u>	<u>43549</u>

(6) Other enterprise costs from commercial activities

Loss from currency rate decline	-	3317
Donation	1	2000
Various expenses	2	118
Surcharge	94	332
Sold fixed assets calculation value	185	1099
Payment stockpiles of unused vacation	16146	14394
	<u>16428</u>	<u>21260</u>

(7) Other percentage income and such income

Percentage for cash residue in bank	<u>66</u>	<u>7</u>
	<u>66</u>	<u>7</u>

(8) Percentage payments and such costs

Advance payments percentage	13264	12013
Short-term credit percentage	18284	5221
Long-term credit percentage	4082	-
	<u>35630</u>	<u>17234</u>

(9) Enterprise income tax in financial period

Financial period enterprise income tax	<u>9702</u>	<u>45696</u>
	<u>9702</u>	<u>45696</u>

Enterprise income tax differs from theoretical tax sum, which would be paid if enterprise profit before taxes accommodate in law established 15%rate.

(10) Suspended enterprise income tax

In calculation of suspended tax used effectual 15% tax rate.

Suspended enterprise income tax is calculated from temporary differences between assets and balance liabilities value and its enterprise income tax value goals:

Temporary differences in stockpiles of unsold vacation	-422	-
Temporary differences in fixed assets wear	-2422	21238
Suspended tax liabilities (+), assets (-)	<u>-2844</u>	<u>21328</u>

(11) Other taxes

	2007 Ls	2006 Ls
Realty tax for financial period	<u>1219</u>	<u>188</u>

III. Explanation for separate balance positions

(12) Intangible investments

	Concessions, patents, licenses, trade-marks and similar costs LVL	Totally LVL
Initial cost		
31.12.2006.	2137	2137
Purchased	-	-
Disposed	-	-
31.12.2007.	<u>2137</u>	<u>2137</u>
Obsolescence		
31.12.2006.	1537	1537
Calculated about year 2007	164	164
Eliminated	-	-
31.12.2007.	<u>1701</u>	<u>1701</u>
Residual balance value 31.12.2006.	<u>600</u>	<u>600</u>
Residual balance value 31.12.2007.	<u>436</u>	<u>436</u>

(13) Fixed assets

A/S "GROBIŅA"
2007. GADA PĀRSKATS

	Lands, buildings, constructions and perennial plantations	Technological equipments and machines	Other fixed assets and inventory	Forming of fixed assets and costs of unfinished objects of construction	Advance payments for fixed assets	Totally
	LVL	LVL	LVL	LVL	LVL	LVL
Initial cost						
31.12.2006.	1081992	443822	171426	12579	13761	1723580
Purchased	86186	22591	20235	129012	51672	309696
Disposed	3206	4857	1537	129012	51672	190284
31.12.2006.	1164972	461556	190124	12579	13761	1842992
Obsolescence						
31.12.2006.	670854	230309	58227	-	-	959390
Calculated about year 2006	22742	56786	28662	-	-	108190
About disposal	3206	4706	1503	-	-	9415
31.12.2006.	690390	282389	85386	-	-	1058165
Residual balance value 31.12.2006.	411138	213513	113199	12579	13761	764190
Residual balance value 31.12.2007.	474582	179167	104738	12579	13761	784827

(14) Biological assets

Fur animal balance value	LVL
31.12.2006.	496591
Purchased breeding animals	48983
Sold breeding animals	(2060)
Value increase because of reproduction	692111
Value decrease because of degeneracy	(19974)
Decrease because of finished product extraction	(657951)
31.12.2007.	557700

(15) Long-term financial investments

	Other securities	Own stock or share capital	Totally
	Ls	Ls	Ls
Initial cost			
31.12.2006.	352	2500	2852
Purchased	-	-	-
Disposed	-	-	-
31.12.2007.	352	2500	2852
Residual balance value 31.12.2006.	352	2500	2852
Residual balance value 31.12.2007.	352	2500	2852

(16) Customer debts

	2007 Ls	2006 Ls
Calculation value of customer debts	<u>9999</u>	<u>83073</u>

In financial period accumulation to doubtful liability has not set.

(17) Other debtors

Unpaid 12% compensation	-	533
Unconfirmed PVN	39	-
VAT overpayment	8264	9759
Nature resources tax overpayment	70	-
Income-tax overpayment	3806	-
	<u>12179</u>	<u>10292</u>

(18) Next period costs

Press subscriber	17	28
Regulation document scriber	166	-
Insurance indemnity advance payment	857	518
Advertisement in catalogues	347	598
	<u>1387</u>	<u>1144</u>

(19) Cash in box-office and bank

Cash in bank	153105	474478
Cash box-office	4875	708
Debit card residue	-	2162
	<u>157980</u>	<u>477348</u>

(20) Own capital

Enterprise equity capital from 500 000 stock, that splits in 497 500 ordinary word stocks with right of voting and 2 500 ordinary word stocks without right of voting that is enterprise property. Nominal value of one stock is 1 LVL. Enterprise equity capital is full paid.

In balance position "Reserves prescribed by enterprise" shows reserves that has developed from allocations from financial period profit.

According to shareholders' meeting decision profit from previous financial year is left undivided.

(21) Other accumulation

Increase in payment about unused vacation in the beginning of financial period	38934	24540
Increase	16146	14394
Increase in payment about unused vacation in the end of financial period	<u>55080</u>	<u>38934</u>

(22) Suspended tax liabilities in composition of long term creditors

A/S "GROBIŅA"
2007. GADA PĀRSKATS

Suspended enterprise income tax is calculated from temporary differences between assets and balance liabilities value and its enterprise income tax value goals:

	2007 LVL	2006 LVL
Suspended enterprise income tax	<u>36710</u>	<u>39554</u>

(23) Other borrowings

	2007 USD	2007 LVL	2006 USD	2006 LVL
Borrowings in USD with repayment date in year 2015.	<u>470000</u>	<u>227480</u>	<u>470000</u>	<u>251920</u>

(24) Deferred income component from long term creditors

In balance position "Deferred income" showed from ES SAPARD program received financial support for purchasing food preparation machinery, that according to accountancy politics (8. Endowment) will be included in financial period income in rest of valuable utilization time till year 2008- sum LVL 3159

ES SAPARD financial support	-	3159
	<u>-</u>	<u>3159</u>

(25) Debts to suppliers and contractors

Debts to suppliers and contractors	<u>184300</u>	<u>107729</u>
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(26) Taxes and social securities payments

	VAT*	Social securities payments	Resident income tax	Enterprise income tax	Natural resources tax	Realty tax	Risk Fee	Totally
	LVL	LVL	LVL	LVL	LVL	LVL	LVL	LVL
Liability								
31.12.2006		24494	15483	41196	211	8	31	81423
(Overcharge)								
31.12.2006	(9759)							(9729)
Calculated in 2007	(124959)	198361	116572	10315	543	1219	396	327406
Paid in 2007	126454	197386	115907	55317	824	1226	394	371054
Paid surcharge and delayed money								
		93				1		94
Liability								
31.12.2007		25376	16148			0	33	41557
(Overcharge)								
31.12.2007	(8264)			(3806)	(70)			(12141)

* VAT overcharge displayed in "Other debtors" position.

(27) Other debts to debtors.

	2007	2006
	LVL	LVL
Liabilities to employees about wage	45077	44107
Residue on fuel card	636	488
	<u>45713</u>	<u>44595</u>

(28) Deferred income component from short term creditors

(a) Program received financial support for purchasing food preparation machinery, that according to accountancy politics (8. Endowment) will be included in financial period income in rest of valuable utilization time till year 2008- sum LVL 3159.

ES SAPARD financial support	3159	3158
	<u>3159</u>	<u>3158</u>

(29) Accumulated liabilities

Communication expenses in December	269	128
Electricity in December	5633	4871
Transport utility	151	-
compensation of damage	330	-
About sprading information	352	-
Percentage of using credit in year 2007	4082	-
Annual report audit	1050	800
	<u>11867</u>	<u>5799</u>

IV. Other explanations

(30) Enterprise average staff amount

	2007	2006
	Ls	Ls
Average staff amount in financial period	<u>131</u>	<u>130</u>

(31) Councillors and regents reward in financial period

	Councillor	Regent
Calculated wage, LVL	-	21208
Calculated reward for councillor, regent duties pursuance, LVL	1700	16840
Calculated state social securities payments, LVL	390	8575

(32) Recompense certified auditor

	2007	2006
	Ls	Ls
For annual report check	<u>1050</u>	<u>900</u>

(33) Assets bother

According to caution against loan policy the enterprise movable property is pledge up to 300 000 LVL.

(34) Events after the end of financial period

In period after the end of financial period last day there has not been any events that could substantially have an effect on Enterprise financial situation on December 31, 2007.

(35) Information according to law of Financial instrument market 56., 56.¹ article

Principal structure

Enterprise share capital component from 500 000 stocks, that divides into 497 500 Ordinary name stock with right of voting and 2 500 Ordinary stock without right of voting, that owns enterprise. Nominal value of one stock is 1 LVL. Enterprise share capital is fully paid.

Stock category	Stock amount	% from share capital
Ordinary name stock with right of voting – in public returns	497500	99.5%
Ordinary stock without right of voting– in closed register	2500	0.5%

List of stockholders who has special rights

List of stockholders who has special rights	List of stockholders who has special rights	Stocks on 6 June 2007	% from share capital
Agris Nagliņš	Councillor till 06.07.2007.	18394	3.7%
Jānis Siliņš	Councillor till 06.07.2007. Chairman of council from 10.07.2007.	30162	6.0%
Laimonis Laugalis	Chairman of board till 27.04.2007.	248256	49.7%
Anatolijs Gorbunovs	Regent till 12.10.2007.	23901	4.8%
Gunta Isajeva	Regent	231	0.05%

Regents proxy

According to joint stock company "Grobiņa" statute enterprise can be represented separately by each regent.

Stockholder rights are regulate by LR legislation, in enterprise statute there is not special established limitations or regulations concerning right of voting.

Between enterprise and regents there is not any agreement about compensation in case of resign.

MANAGEMENT LIABILITY STATEMENT

Joint stock company „Grobiņa” management is responsible about enterprise annual report processing.

Joint stock company „Grobiņa” management verify that year 2007 financial report is prepared according to effectual laws and regulations and it provides actual and clear distinct about JSC “Grobiņa” assets, liabilities, financial standing and profit. Management liability statement contains real information.

Joint stock company „Grobiņa” management is responsible about accomplishment demands of legislation of republic of Latvia.

Daina Kalniņa
Chairman of board

Dubeni, 27 February 2008

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Grobiņa JSC.

Report on the financial statements

We have audited the accompanying financial statements of the joint stock company "Grobiņa" for the year 2007, set out on pages 5 to 19. The audited financial statements comprise the Balance Sheet as of 31 December 2007; the Statement of Profit and Loss for the year 2007, the Statement of Changes in Equity and the Cash Flow Statement, as well as a summary of the most significant accounting policies applied and other explanatory information in the notes.

Management's responsibility for the preparation of the financial statements

The management is responsible for the preparation of the financial statements and for the fair presentation of the information in compliance with the International Financial Reporting Standards and the law of the Latvian Republic "On Companies' Annual Reports". This responsibility includes creation, introduction and maintenance of such an internal control system, which can insure preparation of the financial statements free of fraud or significant misstatements.

The financial statements are the responsibility of the management of the joint stock company "Grobiņa". Our responsibility is to express an opinion on the company's financial statements based on our audit. The management's responsibility includes creation, introduction and maintenance of such an internal control system, which can insure preparation and fair presentation of the financial statements free of fraud, error caused misstatements, selection and application of appropriate accounting policy, as well as making calculations according to circumstances.

Auditor's responsibility

We are responsible for the auditor's opinion, which we express on the financial statements based on our audit. We have conducted our audit in compliance with International Auditing Standards recognized in Latvia. Those standards imply that we are to follow ethical requirements and that we have to plan and conduct our audit in such a way as to obtain satisfactory evidence that there are no significant misstatements in the financial statements.

The audit includes procedures performed in order to obtain auditing evidence about the amounts and information presented in the financial statements. The procedures are selected basing on the auditor's professional evaluation including risk evaluation of significant misstatements caused by fraud or errors in the financial statements. While evaluating the risks, the auditor takes into account the internal control system, created to insure preparation of the financial statements and fair presentation of the information, in order to determine auditing procedures adequate to circumstances rather than expressing opinion about the effectiveness of the control system. Auditing includes also evaluation of accounting principles applied and validity of the significant assumptions made by the management, as well as overall presentation of the information in the financial statements.

We believe our evidence is sufficient and appropriate for expressing our opinion on auditing.

Opinion

In our opinion, the above-mentioned financial statements present fairly, in all material aspects, the financial situation of "Grobiņa" JSC as at 31 December 2007, as well as the results of its operations in the year 2007 in accordance with International Financial Reporting Standards and the law of the Latvian Republic "On Company's Annual Reports".

Report on the validity of the management report

We have got acquainted also with the Management Report about the year 2007 set out on page 4. We have not established any significant misstatements between the information presented in the Management Report and the financial statements for the year 2007.



Mrs. Aija Kurta,
Certified Auditor
Riga, April 10 2008

GRB

SIA „Auditorfirma Grāmatvedības un revīzijas birojs”
Brīvības ielā 85, Rīga, LV 1001