

Joint Stock Company

GROBINA

Non- audited

First half year 2007

Financial report

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GENERAL INFORMATION

Company name	Joint-stock company "Grobiņa"
Legal form	Public join-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
Joint-stock company "Grobiņa" chairman of council	Jānis Siliņš
Joint-stock company "Grobiņa" councillors	Ojārs Petrēvics Jānis Briedis Genādijs Jefimovs Silvija Neimane
Joint-stock company "Grobiņa" chairman of board	Daina Kalniņa
Joint-stock company "Grobiņa" regents	Anatolijs Gorbunovs Gunta Isajeva
Financial period	January 1, 2007 – June 30, 2007
Auditor	"Auditorfirma Grāmatvedības un revīzijas birojs" SIA, Brīvības street 85, Rīga, LV-1001, Latvia Certified auditors commercial companies license nr. 123 Liable certified auditor Aija Kurta, Certificate No. 128

MANAGEMENT REPORT

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

In first half year 2007 net turnover is 1 219 994 LVL. Compared together with previous year first half, it has increased for 7%. This year has been sold a big amount of furry in Scandinavian auction houses but the price was lower has previous year. That is the reason why gross profit has decreased about 15%. In year 2007 increased employee salary, service and material expenses, that is also a reason why profit in first half year 2007 is lower compared together with first half year 2006.

In 2007 first six months managed investments in production machine and buildings in the tune of 109 204 LVL. New food shredder, food machinery, two pumps, mink boxes, also continues work in rebuilding animal booths.

Joint-stock company "Grobiņa" the average stuff amount in first half year 2007 is 126 employees, average salary – 322,31 LVL. Average salary is increased for 44%, compared together with first half year 2006.

In first half year 2007 net earning per stock is 0,218 LVL or 0,310 EUR; in first half year 2006 – 0,469 LVL or 0,667 EUR.

In second half year 2007 is plan to continue capital repairs in farm.

Daina Kalniņa
Chairman of board

Dubēni, August 29, 2007

PROFIT OF LOSS STATEMENT ABOUT FIRST HALF YEAR 2007

	2007 first half year LVL	2007 first half year EUR	2006 first half year LVL	2006 first half year EUR
1. Net turnover	1219994	1735895	1137717	1618825
2. Cost of sales	(962949)	(1370153)	(835188)	(1188365)
3. Gross profit	257045	365742	302529	430460
4. Sales distribution costs	(57149)	(81316)	(14263)	(20294)
5. Administration costs	(62762)	(89302)	(47409)	(67457)
6. Other operating income	18	26	1273	1811
7. Other operating expenses	(11347)	(16145)	(5129)	(7298)
10. Other interest receivable and similar income	-	-	7	10
12. Interest payable and similar expenses	(16239)	(23106)	(2418)	(3441)
16. Profit before tax	109566	155898	234590	333791
17. Tax on profit for financial period	-	-	-	-
18. Other Taxes	(613)	(872)	(188)	(267)
19. Profit for the financial period	108953	155026	234402	333524
20. Earnings per stock	0,218	0,310	0,469	0,667

Daina Kalniņa
Chairman of board

Dubēni, August 29, 2007

BALANCE ON 30 JUNE, 2007

	2007 30.06. LVL	2007 30.06. EUR	2006 30.06. LVL	2006 30.06. EUR
<u>Assets</u>				
Long – term investments				
I. Intangible investments				
2. Concessions, patents, licenses, trade-marks and similar rights	518	737	683	972
Intangible investments totally:	518	737	683	972
II. Fixed assets:				
1. Lands, buildings, constructions and perennial plantations	399768	568819	318450	453114
3. Technological equipments and machines	207718	295556	241623	343799
4. Other fixed assets and inventory	119874	170565	48096	68434
5. Forming of fixed assets and costs of unfinished objects of construction	78957	112346	74549	106074
6. Advance payments for fixed assets	13761	19580	27915	39719
Fixed assets totally:	820078	1166866	710633	1011140
IV. Biological assets	1162808	1654527	802594	1141988
Long-term financial investments				
5. Other securities and investments	352	501	352	501
7. Own stocks and shares	2500	3557		
Long term financial investments totally:	2852	4058	352	501
Long-term investments totally:	1986256	2826188	1514262	2154601
<u>Current assets</u>				
I. Stocks:				
1. Raw materials, direct materials and auxiliary materials	251092	357272	247941	352788
3. Complete products and goods for sale	511780	728197	415852	591704
5. Advance payments for goods	7476	10637	853	1214
Stocks totally:	770348	1096106	664646	945706
II. Debtors:				
1. Costumers and clients debts	215144	306122	304381	433095
4. Other debts	18033	25659	24136	34342
7. Expenses of next period	291	414	2240	3187
Debtors totally:	233468	332195	330757	470625
IV. Cash assets	190625	271235	67134	95523
Current assets totally:	1194441	1699536	1062537	1511854
<u>Assets totally</u>	3180697	4525724	2576799	3666455

BALANCE ON 30 JUNE, 2007

	2007 30.06. LVL	2007 30.06. EUR	2006 30.06. LVL	2006 30.06. EUR
<u>Liabilities</u>				
Equity capital:				
1. Stock or share capital	500000	711436	500000	711436
5. Reserves				
c) Reserves prescribed by enterprise	54454	77481	54454	77481
6. Retained profit				
a) Retained profit for previous year	1617130	2300969	1331264	1894218
b) Retained profit for the year accountant	108953	155026	234402	333524
Equity capital totally:	2280537	3244912	2120120	3016659
Stockpiles:				
3. Other stockpiles	38933	55397	24540	34917
Stockpiles totally:	38933	55397	24540	34917
Creditors:				
Long-term debts:				
3. Suspended tax liabilities	39554	56280	18226	25933
4. Other borrowings	251920	358450	263200	374500
12. Deferred income	3159	4495	6317	8988
Long-term debts totally:	294633	419225	287743	409421
Short-term debts:				
3. Borrowings from credit institution	343323	488505	-	-
5. Costumers advanced payments	1272	1810	949	1350
6. Debts to suppliers and contractors	171837	244502	98438	140065
10. Tax and social security payments	22171	31546	16444	23398
11. Other creditors	24833	35334	16082	22883
12. Deferred income	3158	4493	12483	17762
Short-term debts totally:	566594	806191	144396	205457
Creditors totally:	861227	1225416	432139	614878
<u>Liabilities totally</u>	3180697	4525724	2576799	3666455

Daina Kalniņa
Chairman of board

Dubēni, August 29, 2007

STATEMENT OF CHANGES IN EQUITY IN FIRST HALF YEAR 2007

	Equity capital	Equity capital	Reserve s prescrib ed by enterpri se	Reserv es prescri bed by enterpr ise	Retained profit	Retained profit	Totally	Totally
	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
January 1, 2006		711436		77481		1894219		2683136
	500000		54454		1331265		1885719	
Profit for the financial period						406749		406749
					285865		285865	
December 31, 2006		711436		77481		2300969		3089886
	500000		54454		1617130		2171584	
Profit for the financial period						155026		155026
					108953		108953	
June 30, 2007		711436		77481		2455995		3244912
	500000		54454		1726083		2280537	

Daina Kalniņa
Chairman of board

Dubēni, August 29, 2007

CASH FLOW STATEMENT ABOUT FIRST HALF YEAR 2007

	2007 first half year LVL	2007 first half year EUR	2006 first half year LVL	2006 first half year EUR
Business activities cash flow				
1. Profit or loss before tax	109566	155898	234590	333791
Corrections:				
a) wear of fixed assets	53308	75850	43929	62505
b) amortization of immaterial investment assets	82	117	153	218
c) liquidation of fixed assets	8	11	-	-
d) profit of loss from foreign currency exchange rate fluctuation	11330	16121	1580	2248
e) other percentage income and other income	-	-	(7)	(10)
f) percentage payments	16239	23106	2418	3441
2. Profit of loss before current assets and short-term liabilities residue correction influence	190533	271104	282663	402193
a) Biological asset (increase)/ decrease	(666217)	(947941)	(395695)	(563023)
b) Stock residue (increase)/ decrease	728230	1036178	485745	691153
c) Debtors debt residue (increase)/ decrease	(138959)	(197721)	(226001)	(321570)
d) To suppliers, contractors and other creditors payable debt residue increase/ (decrease)	(466389)	(663612)	(50361)	(71657)
3. Gross basic activities cash flow	(352802)	(501992)	96351	137095
4. Expenses for percentage payments	(16239)	(23106)	(2418)	(3441)
5. Realty tax costs	(613)	(872)	(188)	(267)
8. Basic activity net cash flow	(369654)	(525970)	93745	133387
Investments action cash flow				
1. Fixed assets and intangible investments purchase	(109204)	(155383)	(78969)	(112363)
3. Percentage benefit	-	-	7	10
9. Investments activity net cash flow	(109204)	(155383)	(78962)	(112353)
Financing activity cash flow				
1. Received borrowings	203465	289505	46433	66068
2. Costs about credit repayment	-	-	(116214)	(165358)
10. Financing activity net cash flow	203465	289505	(69781)	(99289)
Foreign currency exchange rate fluctuation result	(11330)	(16121)	(1580)	(2248)
Financial period net cash flow	(286723)	(407970)	(56578)	(80503)
Cash and its equivalents residue in the beginning of financial period	477348	679205	123712	176026
Cash and its equivalents residue in the end of financial period	190625	271235	67134	95523

Daina Kalniņa
Chairman of board

Dubēni, August 29, 2007

ATTACHMENT

1. Accountancy politics

a. 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.

In balance, profit or loss statement, equity statement and cash flow statement as compared sum showed apropos sum on June 30, 2006 and about January- June 2006.

b. 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.

c. 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%

d. Biological assets

According to changes in "Law about annual report" new position classification has been made corresponding to 4.LGS „Change of accountancy politics, accountancy calculation changes and previous period mistakes”. Fur animals is acknowledge in composition of biological assets. In previous financial period they were included in composition of stocks in balance position "Work animals and productive animal".

e. 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.

1.5. 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.

1.6. 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.

1.7. Stockpiles of unused vacation

Vacation stockpiles is calculated as joint accumulation for all staff, considering each employee average day payment and stockpiles of vacation in the end of financial period.

1.8. 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.

2. 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 or loss is showed in respectively profit or loss statement.

	2007. 30.06.	2006. 30.06.
1 USD	0.522	0.560
1 EUR	0,702804	0,702804
1 DKK	0.0944	0.0942
1 LTL	0.204	0.204
1 RUB	0.0202	0.0207

Financial report positions converted in EUR according to currency exchange of The Bank of Latvia on June 30, 2007: 1 LVL = 0,702804 EUR and it serves only function of information.

3. Earnings per stock

In first half year 2007 net earning per stock is 0,218 LVL or 0,310 EUR; in first half year 2006 – 0,469 LVL or 0,667 EUR.

4. Average staff amount

In first half year 2007 – 126; in first half year 2006 – 131.

MANAGERIAL LIABILITY STATEMENT

Join stock company „Grobiņa” management is responsible for preparation enterprise interim financial report.

Join stock company „Grobiņa” 2007 first half year 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. Managerial liability statement contains real information.

Join stock company „Grobiņa” management is responsible for accomplishment of legislation of the republic of Latvia.

Daina Kalniņa
Chairman of board

Dubēni, August 29, 2007