

Joint Stock Company

GROBINA

Non- audited

2007. year 9 months

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	Andris Vītoliņš Gunta Isajeva
Financial period	January 1, 2007 – September 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 ABOUT 2007. YEAR 9 MONTHS RESULTS

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

In 9 months of year 2007 net turnover is 1 643 716 LVL. Compared together with previous year 9 months, it has increased for 3%. This year 83% furry is sold on Scandinavian auction houses, compared together with last year, prices on realization decreased, that is reason of gross profit decrease on 29%. In this year increased staff salaries, service and material costs, that is reason why profit in year 2007 first 9 months is lower than in year 2006 first 9 months.

In year 2007 first 9 months managed investments in production machine and buildings in the tune of 121 171 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 year 2007 first 9 months average amount of staff is 130 employees, average salary is 336.34 LVL. Average salary is increased for 48%, compared together with year 2006 first 9 months.

In year 2007 first 9 months earnings per stock is 0,118 LVL or 0,168 EUR; in year 2006 first 9 months- 0,495 LVL or 0,704 EUR.

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

Daina Kalniņa
Chairman of board

Dubēni, November 28, 2007

PROFIT OF LOSS STATEMENT ABOUT 2007. YEAR 9 MONTHS

	2007 9 months LVL	2007 9 months EUR	2007 9 months LVL	2007 9 months EUR
1. Net turnover	1643716	2338797	1591665	2264735
2. Cost of sales	(1392697)	(1981629)	(1239851)	(1764149)
3. Gross profit	251019	357168	351814	500586
4. Sales distribution costs	(79469)	(113074)	(14552)	(20706)
5. Administration costs	(91770)	(130577)	(77643)	(110476)
6. Other operating income	2402	3418	1273	1811
7. Other operating expenses	-	-	(9858)	(14027)
10. Other interest receivable and similar income	6	9	8	11
12. Interest payable and similar expenses	(22160)	(31531)	(3319)	(4723)
16. Profit before tax	60028	85412	247723	352478
17. Tax on profit for financial period	-	-	-	-
18. Other Taxes	(916)	(1303)	(188)	(267)
19. Profit for the financial period	59112	84109	247535	352211
20. Earnings per stock	0.118	0.168	0.495	0.704

Daina Kalniņa
Chairman of board

Dubēni, November 28, 2007

BALANCE ON SEPTEMBER 30, 2007

	2007	2007	2006	2006
	30.09.	30.09.	30.09.	30.09.
	LVL	EUR	LVL	EUR
<u>Assets</u>				
Long – term investments				
I. Intangible investments				
2. Concessions, patents, licenses, trade-marks and similar rights	477	679	642	913
Intangible investments totally:	477	679	642	913
II. Fixed assets:				
1. Lands, buildings, constructions and perennial plantations	394082	560728	387778	551758
3. Technological equipments and machines	192962	274560	227566	323797
4. Other fixed assets and inventory	112288	159771	91646	130401
5. Forming of fixed assets and costs of unfinished objects of construction	90930	129382	12579	17898
6. Advance payments for fixed assets	13761	19580	16467	23430
Fixed assets totally:	804023	1144022	736036	1047285
IV. Biological assets	1820883	2590883	1256443	1787757
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:	2628235	3739641	1993473	2836456
<u>Current assets</u>				
I. Stocks:				
1. Raw materials, direct materials and auxiliary materials	46143	65656	121238	172506
3. Complete products and goods for sale	166234	236530	170623	242775
5. Advance payments for goods	4561	6490	3364	4787
Stocks totally:	216938	308675	295225	420068
II. Debtors:				
1. Costumers and clients debts	35230	50128	36926	52541
4. Other debts	25944	36915	14777	21026
7. Expenses of next period	641	912	2534	3606
Debtors totally:	61815	87955	54237	77172
IV. Cash assets	249566	355100	516675	735162
Current assets totally:	528319	751730	866137	1232402
<u>Assets totally</u>	3156554	4491372	2859610	4068858

BALANCE ON SEPTEMBER 30, 2007

	2007 30.09. LVL	2007 30.09. EUR	2006 30.09. LVL	2006 30.09. 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	59112	84109	247535	352211
Equity capital totally:	2230696	3173994	2133253	3035346
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	233590	332369	263200	374500
12. Deferred income	3159	4495	6317	8988
Long-term debts totally:	276303	393144	287743	409421
Short-term debts:				
3. Borrowings from credit institution	346275	492705	94879	135001
5. Costumers advanced payments	842	1198	161925	230399
6. Debts to suppliers and contractors	198072	281831	106398	151391
10. Tax and social security payments	30285	43092	18826	26787
11. Other creditors	31990	45518	19563	27836
12. Deferred income	3158	4493	12483	17762
Short-term debts totally:	610622	868837	414074	589174
Creditors totally:	886925	1261981	701817	998595
<u>Liabilities totally</u>	3156554	4491372	2859610	4068858

Daina Kalniņa
Chairman of board

Dubēni, November 28, 2007

STATEMENT OF CHANGES IN EQUITY IN 2007. YEAR 9 MONTHS

	Equity capital	Equity capital	Reserves 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	500000		54454		1331265		1885719	
		711436		77481		1894219		2683136
Profit for the financial period					285865		285865	
						406749		406749
December 31, 2006	500000		54454		1617130		2171584	
		711436		77481		2300969		3089886
Profit for the financial period					59112		59112	
						84109		84109
September 30, 2007	500000			77481			2230696	
		711436	54454		1676242	2385077		3173994

Daina Kalniņa
Chairman of board

Dubeņi, November 28, 2007

CASH FLOW STATEMENT ABOUT 2007. YEAR 9 MONTHS

	2007 9 months LVL	2007 9 months EUR	2006 9 months LVL	2006 9 months EUR
Business activities cash flow				
1. Profit or loss before tax	60028	85412	247723	352478
<u>Corrections:</u>				
a) wear of fixed assets	81335	115729	67099	95473
b) amortization of immaterial investment assets	124	176	195	277
c) liquidation of fixed assets	8	11	1098	1562
d) profit of loss from foreign currency exchange rate fluctuation	(2401)	(3416)	6307	8974
e) other percentage income and other income	(6)	(9)	(8)	(11)
f) percentage payments	22160	31531	3319	4723
g) donations	-	-	2000	2846
2. Profit of loss before current assets and short-term liabilities residue correction influence	161248	229435	327733	466322
a) Biological asset (increase)/ decrease	(1324292)	(1884298)	(849544)	(1208792)
b) Stock residue (increase)/ decrease	1281640	1823609	855166	1216792
c) Debtors debt residue (increase)/ decrease	32694	46519	50519	71882
d) To suppliers, contractors and other creditors payable debt residue increase/ (decrease)	(425313)	(605166)	124438	177059
3. Gross basic activities cash flow	(274023)	(389900)	508312	723263
4. Expenses for percentage payments	(22160)	(31531)	(3319)	(4723)
5. Realty tax costs	(916)	(1303)	(188)	(267)
8. Basic activity net cash flow	(297099)	(422734)	504805	718273
Investments action cash flow				
1. Fixed assets and intangible investments purchase	(121177)	(172419)	(128641)	(183040)
3. Percentage benefit	6	9	8	11
9. Investments activity net cash flow	(121171)	(172411)	(128633)	(183028)
Financing activity cash flow				
1. Received borrowings	206417	293705	151503	215569
2. Costs about credit repayment	(18330)	(26081)	(126405)	(179858)
3. Donations	-	-	(2000)	(2846)
10. Financing activity net cash flow	188087	267624	23098	32865
Foreign currency exchange rate fluctuation result	2401	3416	(6307)	(8974)
Financial period net cash flow	(227782)	(324105)	392963	559136
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	249566	355100	516675	735162

Daina Kalniņa
Chairman of board

Dubēni, November 28, 2007

ATTACHMENT

1. Accountancy politics

1.1. 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.

In balance, profit or loss statement, equity statement and cash flow statement as compared sum showed apropos sum on September 30, 2007 and about January- September 2007.

1.2. 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.

1.3. 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%

1.4. 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".

1.5. 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 enumerated 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. 30.09.	2006. 30.09.
1 USD	0.497	0.552
1 EUR	0.702804	0.702804
1 DKK	0.0943	0.0942
1 LTL	0.204	0.203
1 RUB	0.0199	0.0206

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

3. Earnings per stock

In year 2007 first 9 months earnings per stock is 0,118 LVL or 0,168 EUR; in year 2006 first 9 months- 0,495 LVL or 0,704 EUR.

4. Average staff amount

In year 2007 first 9 months – 130 ; in year 2006 first 9 months – 131.

MANAGERIAL LIABILITY STATEMENT

Join stock company „Grobiņa” 2007 year 9 months 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.

Daina Kalniņa
Chairman of board

Dubēni, November 28, 2007