

**Joint Stock Company**

**GROBINA**

**Non- audited**

**First half year 2008**

**Financial 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
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, 2008 – June 30, 2008
Auditor	"Auditorfirma Grāmatvedības un revīzijas birojs" SIA Matīsa street 65-8, Riga, LV-1009, Latvia 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 2008 first half year net turnover is 1 611 240 LVL. Compared together with previous year same period is has increase for 32%. This year in Scandinavian auction houses has been sold big amount of fur but prices were lower comparing to last year. This is reason why gross profit has decreased for 62%. In 2008 increased staff salaries, material and service costs that is reason why profit of first half year in 2008 is smaller that in year 2007.

Joint-stock company "Grobiņa" the average stuff amount in 2008 first half year is 123 employees, average salary – 380,47 LVL. Average salary increase for 18% if compared with 2007 first half year.

In 2008 first half year net earnings per stock is 0,040 LVL or 0,057 EUR; in 2007 first half year – 0,218 LVL or 0,310 EUR.

In 2008 second half year is planed to continue renew breeding animal herd that requires 70 thousand LVL, also continues work in rebuilding animal booths and repair feed kitchen.

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Daina Kalniņa  
Chairman of board

Dubeni, 27 August 2008

## PROFIT OF LOSS STATEMENT ABOUT FIRST HALF YEAR 2008

	2008 6 months LVL	2008 6 months EUR	2007 6 months LVL	2007 6 months EUR
1. Net turnover	1611240	2292588	1219994	1735895
2. Cost of sales	(1451808)	(2065737)	(962949)	(1370153)
3. <b>Gross profit</b>	<b>159432</b>	<b>226851</b>	<b>257045</b>	<b>365742</b>
4. Sales distribution costs	(86284)	(122771)	(57149)	(81316)
5. Administration costs	(60147)	(85581)	(62762)	(89302)
6. Other operating income	27534	39177	18	26
7. Other operating expenses	(57)	(81)	(11347)	(16145)
10. Other interest receivable and similar income	40	57	-	-
12. Interest payable and similar expenses	(20063)	(28547)	(16239)	(23106)
16. <b>Profit before tax</b>	<b>20455</b>	<b>29105</b>	<b>109566</b>	<b>155898</b>
17. Tax on profit for financial period	-	-	-	-
18. Other Taxes	(510)	(726)	(613)	(872)
19. <b>Profit for the financial period</b>	<b>19945</b>	<b>28379</b>	<b>108953</b>	<b>155026</b>
20. <b>Earnings per stock (EPS)</b>	<b>0.040</b>	<b>0.057</b>	<b>0,218</b>	<b>0,310</b>

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Daina Kalniņa  
Chairman of board

Dubeni, 27 August 2008

## BALANCE ON JUNE 30, 2008

	2008 30.06. LVL	2008 30.06. EUR	2007 30.06. LVL	2007 30.06. EUR
<b><u>Assets</u></b>				
<b>Long – term investments</b>				
<b>I. Intangible investments</b>				
2. Concessions, patents, licenses, trade- marks and similar rights	353	502	518	737
<b>Intangible investments totally:</b>	<b>353</b>	<b>502</b>	<b>518</b>	<b>737</b>
<b>II. Fixed assets:</b>				
1. Lands, buildings, constructions and perennial plantations	458902	652959	399768	568819
3. Technological equipments and machines	152568	217085	207718	295556
4. Other fixed assets and inventory	90950	129410	119874	170565
5. Forming of fixed assets and costs of unfinished objects of construction	12579	17898	78957	112346
6. Advance payments for fixed assets	13761	19580	13761	19580
<b>Fixed assets totally:</b>	<b>728760</b>	<b>1036932</b>	<b>820078</b>	<b>1166866</b>
<b>IV. Biological assets</b>	<b>1068438</b>	<b>1520250</b>	<b>1162808</b>	<b>1654527</b>
<b>V. Long-term financial investments</b>				
5. Other securities and investments	352	501	352	501
7. Own stocks and shares	2500	3557	2500	3557
<b>Long term financial investments totally:</b>	<b>2852</b>	<b>4058</b>	<b>2852</b>	<b>4058</b>
<b>Long-term investments totally:</b>	<b>1800403</b>	<b>2561743</b>	<b>1986256</b>	<b>2826188</b>
<b>Current assets</b>				
<b>I. Stocks:</b>				
1. Raw materials, direct materials and auxiliary materials	194430	276649	251092	357272
3. Complete products and goods for sale	687682	978483	511780	728197
5. Advance payments for goods	8195	11660	7476	10637
<b>Stocks totally:</b>	<b>890307</b>	<b>1266792</b>	<b>770348</b>	<b>1096106</b>
<b>II. Debtors:</b>				
1. Costumers and clients debts	350540	498773	215144	306122
4. Other debts	32199	45815	18033	25659
7. Expenses of next period	81534	116012	291	414
<b>Debtors totally:</b>	<b>464273</b>	<b>660601</b>	<b>233468</b>	<b>332195</b>
<b>IV. Cash assets</b>	<b>6191</b>	<b>8809</b>	<b>190625</b>	<b>271235</b>
<b>Current assets totally:</b>	<b>1360771</b>	<b>1936201</b>	<b>1194441</b>	<b>1699536</b>
<b><u>Assets totally</u></b>	<b>3161174</b>	<b>4497945</b>	<b>3180697</b>	<b>4525724</b>

## BALANCE ON JUNE 30, 2008

	2008 30.06.	2008 30.06.	2007 30.06.	2007 30.06.
<b><u>Liabilities</u></b>				
<b>Equity capital:</b>				
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	1667334	2372403	1617130	2300969
b) Retained profit for the year accountant	19945	28379	108953	155026
<b>Equity capital totally:</b>	<b>2241733</b>	<b>3189699</b>	<b>2280537</b>	<b>3244912</b>
<b>Stockpiles:</b>				
3. Other stockpiles	55080	78372	38933	55397
<b>Stockpiles totally:</b>	<b>55080</b>	<b>78372</b>	<b>38933</b>	<b>55397</b>
<b>Creditors:</b>				
<b>Long-term debts:</b>				
3. Suspended tax liabilities	36710	52234	39554	56280
4. Other borrowings	210090	298931	251920	358450
12. Deferred income	-	-	3159	4495
<b>Long-term debts totally:</b>	<b>246800</b>	<b>351165</b>	<b>294633</b>	<b>419225</b>
<b>Short-term debts:</b>				
3. Borrowings from credit institution	347183	493997	343323	488505
5. Customers advanced payments	757	1077	1272	1810
6. Debts to suppliers and contractors				
	205231	292017	171837	244502
10. Tax and social security payments				
	32438	46155	22171	31546
11. Other creditors	28794	40970	24833	35334
12. Deferred income	3158	4493	3158	4493
<b>Short-term debts totally:</b>	<b>617561</b>	<b>878710</b>	<b>566594</b>	<b>806191</b>
<b>Creditors totally:</b>	<b>864361</b>	<b>1229875</b>	<b>861227</b>	<b>1225416</b>
<b><u>Liabilities totally</u></b>	<b>3161174</b>	<b>4497945</b>	<b>3180697</b>	<b>4525724</b>

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Daina Kalniņa  
Chairman of board

Dubeni, 27 August 2008

## STATEMENT OF CHANGES IN EQUITY IN FIRST HALF YEAR 2008

	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
<b>January 1, 2007</b>		711436		77481		2300969		3089886
	500000		54454		1617130		2171594	
Profit for the financial period					50204	71434	50204	71434
<b>December 31, 2007</b>		711436		77481		2372403		3161320
	500000		54454		1667334		2221788	
Profit for the financial period						28379	19945	28379
					19945			
<b>June 30, 2008</b>		711436		77481		2400782		3189699
	500000		54454		1687279		2241733	

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Chairman of board

Dubeni, 27 August 2008



## CASH FLOW STATEMENT ABOUT FIRST HALF YEAR 2008

	2008 6 months LVL	2008 6 months EUR	2007 6 months LVL	2007 6 months EUR
<b>Business activities cash flow</b>				
<b>1. Profit or loss before tax</b>	<b>20455</b>	<b>29105</b>	<b>109566</b>	<b>155898</b>
<u>Corrections:</u>				
a) wear of fixed assets	56429	80291	53308	75850
b) amortization of immaterial investment assets	83	118	82	117
c) liquidation of fixed assets	-	-	8	11
d) profit of loss from foreign currency exchange rate fluctuation	(8366)	(11904)	11330	16121
e) received subsidies	(19177)	(27286)		
f) other percentage income and other income	(40)	(57)	-	-
g) percentage payments	20063	28547	16239	23106
<b>2. Profit of loss before current assets and short-term liabilities residue correction influence</b>	<b>69447</b>	<b>98814</b>	<b>190533</b>	<b>271104</b>
a) Biological asset (increase)/ decrease	(510738)	(726715)	(666217)	(947941)
b) Stock residue (increase)/ decrease	1178949	1677493	728230	1036178
c) Debtors debt residue (increase)/ decrease	(440708)	(627071)	(138959)	(197721)
d) To suppliers, contractors and other creditors payable debt residue increase/ (decrease)	(432349)	(615177)	(466389)	(663612)
<b>3. Gross basic activities cash flow</b>	<b>(135399)</b>	<b>(192655)</b>	<b>(352802)</b>	<b>(501992)</b>
4. Expenses for percentage payments	(20063)	(28547)	(16239)	(23106)
5. Realty tax costs	(510)	(726)	(613)	(872)
<b>8. Basic activity net cash flow</b>	<b>(155972)</b>	<b>(221928)</b>	<b>(369654)</b>	<b>(525970)</b>
<b>Investments action cash flow</b>				
1. Fixed assets and intangible investments purchase	(362)	(515)	(109204)	(155383)
3. Percentage benefit	40	57	-	-
<b>9. Investments activity net cash flow</b>	<b>(322)</b>	<b>(458)</b>	<b>(109204)</b>	<b>(155383)</b>
<b>Financing activity cash flow</b>				
1. Received borrowings	375827	534754	203465	289505
2. Costs about credit repayment	(398865)	(567534)	-	-
3. Received subsidies	19177	27286	-	-
<b>10. Financing activity net cash flow</b>	<b>(3861)</b>	<b>(5494)</b>	<b>203465</b>	<b>289505</b>
<b>Foreign currency exchange rate fluctuation result</b>	<b>8366</b>	<b>11904</b>	<b>(11330)</b>	<b>(16121)</b>
<b>Financial period net cash flow</b>	<b>(151789)</b>	<b>(215976)</b>	<b>(286723)</b>	<b>(407970)</b>
<b>Cash and its equivalents residue in the beginning of financial period</b>	<b>157980</b>	<b>224785</b>	<b>477348</b>	<b>679205</b>
<b>Cash and its equivalents residue in the end of financial period</b>	<b>6191</b>	<b>8809</b>	<b>190625</b>	<b>271235</b>

Daina Kalniņa  
Chairman of board  
Dubeni, 27 August 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.

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

#### 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.

##### a. 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%

##### b. Biological assets

Fur animals is acknowledge in composition of biological assets.

#### 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.

#### 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.

	2008. 30.06.	2007. 30.06.
1 USD	0.447	0.522
1 EUR	0.702804	0.702804
1 DKK	0.0942	0.0944
1 LTL	0.204	0.204
1 RUB	0.019	0.0202

Financial report positions converted in EUR according to currency exchange of The Bank of Latvia on June 30, 2008: 1 LVL = 0,702804 EUR and it serves only function of information.

## 3. Earnings per stock

In first half year of 2008 earnings per stock is 0,040 LVL or 0,057 EUR; in first half year of 2007 – 0,218 LVL or 0,310 EUR.

## 4. Average staff amount

In 2008 first half year – 123; in 2007 first half year – 126.

## MANAGERIAL LIABILITY STATEMENT

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

According to disposable information JSC “Grobiņa” contracted 2008 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.

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

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Daina Kalniņa  
Chairman of board

Dubeni, 27 August 2008