

Joint Stock Company

GROBINA

**Non- audited
2008 Annual report**

CONTENT

General information	3
Management report	4
Profit or loss statement for January- December 2008	5
Balance on 31 of December, 2008	6 - 7
Statement of changes in equity 2008	8
Cash flow statement 2008	9
Attachment	10
I. Accountancy politics	10 - 11
II. Explanation of several “Profit or loss statement” positions	12 - 14
III. Explanation for several balance positions	14 - 18
IV. Other explanatory notes	18-19
Managerial liability statement	20

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	Jānis Siliņš
Joint-stock company "Grobiņa" councilors	Ojārs Petrēvics Jānis Briedis Genādijs Jefimovs Silvija Neimane
Joint-stock company "Grobiņa" chairman of board	Daina Kalniņa
Joint-stock company "Grobiņa" regents	Gunta Isajeva Andris Vītoliņš
Financial period	January 1, 2008 – December 31, 2008
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 2008 the extraction indices was in previous year level – from one mink mother raised 5,0 puppies and from one silver fox mother raised 5,0 puppies. To raise animal productivity, to raise a quality of skins in 2008 has been bought breeding animals for 17 thousand LVL.

In 2008 net turnover is 2,28 millions LVL. In compared to last year it has increased for 25%. Sold skins amount is increased for 28%, realization prices has increased very little – 2%. Just like previous year, biggest amount of skins was sold in Finland and Denmark auction houses.

In JSC "Grobiņa" in year 2008 the average staff amount was 123 employees.

Joint stock company "Grobiņa" regularly and without obstruction has paid all taxes, salaries and other payments. In year 2008 average earnings has grow for 3% and was 400,50 LVL. In taxes paid 317 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.

From year 2006 company owns 2500 enterprise stocks that is in closed register. Company management has started legal activity to release these stocks in public trading.

In 2008 net earnings per stock are 0,018 LVL or 0,025 EUR; 2007. – 0,100 LVL or 0,143 EUR.

In year 2009 there is a plan to continue to renew breeding animals, that will cost about 30 thousands LVL. There is plan to decrease production costs by decreasing employees salaries and feed expenses.

Investments in production machine, buildings and machinery planed to spend 20 thousands LVL.

In next financial period plan to have 1,7 million LVL sales proceed.

Join stock company "Grobiņa" board recommends year 2008 profit leave undivided for manufacture development and modernisation.

Daina Kalniņa
Chairman of board

Dubeni, 27 February 2009

PROFIT OR LOSS STATEMENT FOR JANUARY- DECEMBER 2008

	Attachment	2008 LVL	2007 LVL
1. Net turnover	1	2278964	1817829
2. Cost of sales	2	(2014638)	(1520127)
3. Gross profit		264326	297702
4. Sales distribution costs	3	(112388)	(84446)
5. Administration costs	4	(119001)	(123666)
6. Other operating income	5	27864	20683
7. Other operating expenses	6	(15060)	(16428)
10. Other interest receivable and similar income	7	42	66
12. Interest payable and similar expenses	8	(36541)	(35630)
16. Profit before tax		9242	58281
17. Tax on profit for financial period	9	(2870)	(9702)
18. Suspended enterprise income tax	10	3433	2844
18. Other Taxes	11	(1020)	(1219)
19. Profit for the financial period		<u>8785</u>	<u>50204</u>

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

Daina Kalniņa
Chairman of board

Dubeni, 27 February 2009

BALANCE ON 31 OF DECEMBER, 2008

	Attac hment	2008 LVL	2007 LVL
<u>Assets</u>			
Long – term investments			
I. Intangible investments	12		
2. Concessions, patents, licenses, trade-marks and similar rights		271	436
Intangible investments totally:		271	436
II. Fixed assets:	13		
1. Lands, buildings, constructions and perennial plantations		443505	474582
3. Technological equipments and machines		126041	179167
4. Other fixed assets and inventory		79224	104738
5. Forming of fixed assets and costs of unfinished objects of construction		26340	12579
6. Advance payments for fixed assets		-	13761
Fixed assets totally:		675110	784827
IV. Biological assets	14	507841	557700
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:		1186074	1345815
Current assets			
I. Stocks:			
1. Row materials, direct materials and auxiliary materials		91808	72314
3. Complete products and goods for sale		1951255	1994842
5. Advance payments for goods		-	2100
Stocks totally:		2043063	2069256
II. Debtors:			
1. Costumers and clients debts	16	6896	9999
4. Other debts	17	11359	12179
7. Expenses of next period	18	1435	1387
Debtors totally:		19690	23565
IV. Cash assets	19	8054	157980
Current assets totally:		2070807	2250801
<u>Assets totally</u>		3256881	3596616

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

BALANCE ON 31 OF DECEMBER, 2008

	Attac hment	2008	2007
		LVL	LVL
<u>Liabilities</u>			
Equity capital:	20		
1. Stock or share capital (equity capital)		500000	500000
5. Reserves			
d) Other reserves		54454	54454
6. Retained profit			
a) Retained profit for previous year		1667333	1617129
b) Retained profit for the year accountant		8785	50204
Equity capital totally:		2230572	2221787
Stockpiles:			
3. Other stockpiles		52528	55080
Stockpiles totally:	21	52528	55080
Creditors:			
Long-term debts:			
3. Suspended tax liabilities	22	33277	36710
4. Other borrowings	23	232650	227480
Long-term debts totally:		265927	264190
Short-term debts:			
3. Borrowings from credit institution		351191	352832
5. Costumers advanced payments		49663	416131
6. Debts to suppliers and contractors	24	212623	184300
10. Tax and social security payments			
	25	36314	41557
11. Other creditors	26	40411	45713
12. Deferred income	27	-	3159
15. Accrued liabilities	28	17652	11867
Short-term debts totally:		707854	1055559
Creditors totally:		973781	1319749
<u>Liabilities totally</u>		3256881	3596616

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

Daina Kalniņa
Chairman of board

Dubeni, 27 February 2009

STATEMENT OF CHANGES IN EQUITY 2008

	Equity capital	Other reserves	Retained profit	Totally
	LVL	LVL	LVL	LVL
January 1, 2007	500000	54454	1617129	2171583
Profit of the financial period			50204	50204
December 31, 2007	500000	54454	1667333	2221787
Profit of the financial period			8785	8785
December 31, 2008	500000	54454	1676118	2230572

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

Daina Kalniņa
Chairman of board

Dubeni, 27 February 2009

CASH FLOW STATEMENT 2007
By indirect method

	Attac hment	2008	2007
		LVL	LVL
Business activities cash flow			
1. Profit or loss before tax		9242	58281
<u>Corrections:</u>			
a) wear of fixed assets		110078	108190
b) amortization of immaterial investment assets		165	164
c) liquidation of fixed assets		-	185
d) formation of accumulations		(2552)	16146
e) profit of loss from foreign currency exchange rate fluctuation		14862	(2840)
f) received subsidies endowments, grants and donation		(23489)	(17188)
g) other tax income and other income		(42)	(66)
h) percentage payments		36541	35630
i) donations		14	1
2. Profit of loss before current assets and short-term liabilities residue correction influence		144819	198503
a) Biological asset (increase)/ decrease		49859	(61109)
b) Stock residue (increase)/ decrease		26193	(570678)
c) Debtors debt residue (increase)/ decrease		3875	70944
d) To suppliers, contractors and other creditors payable debt residue increase/ (decrease)		(349497)	7064
3. Gross basic activities cash flow		(124751)	(355276)
4. Expenses for percentage payments		(36541)	(35630)
5. Expenses for enterprise income tax		(2870)	(9702)
6. Suspended enterprise income tax		3433	2844
7. Realty tax costs		(1020)	(1219)
8. Basic activity net cash flow		(161749)	(398983)
Investments action cash flow			
1. Fixed assets and intangible investments purchase		(361)	(129012)
2. Percentage benefit		42	66
9. Investments activity net cash flow		(319)	(128946)
Financing activity cash flow			
1. Received borrowings		1153711	249168
2. Received subsidies endowments, grants and donation		23489	17188
3. Costs about credit repayment		(1150182)	(60634)
4. Expenses for donations		(14)	(1)
10. Financing activity net cash flow		27004	205721
Foreign currency exchange rate fluctuation result		(14862)	2840
Financial period net cash flow		(149926)	(319368)
Cash and its equivalents residue in the beginning of financial period		157980	477348
Cash and its equivalents residue in the end of financial period	19	8054	157980

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

Daina Kalniņa
Chairman of board
Dubeni, 27 February 2009

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 or loss is showed in respectively profit or loss statement.

	2008 LVL	2007 LVL
1 USD	0,495	0,484
1 EUR	0,702804	0,702804
1 DKK	0,0943	0,0942
1 LTL	0,203	0,204
1 RUB	0,0171	0,0197

4. Intangible investments and fixed assets

In intangible investments was showed value of computer program licenses, 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

Stockpiles of unused vacation is calculated as all employee common stockpile, considering each employee average day salary and saved vacation days in the end of financial period.

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

	2008	2007
	LVL	LVL
Mink skins	2210699	1688516
Silver fox skins	1542	71803
Polar fox skins	29057	15635
Various utility	37666	41875
	<u>2278964</u>	<u>1817829</u>

Net turnover breakdown by geographical sale

Latvia	204018	212152
Russia	43091	8377
AAE	-	31131
Finland	776930	352915
Lithuania	165671	146478
Denmark	1085919	1022096
Ukraine	3335	44680
	<u>2278964</u>	<u>1817829</u>

(2) Sold production operating costs

Forage	826002	675389
Personnel costs	713182	492020
Wear of fixed assets	110805	68680
Medication	78571	56900
Electricity	64468	38310
Other production costs	221610	188828
	<u>2014638</u>	<u>1520127</u>

(3) Cost of sales

Commission to auction houses	111841	82869
Media advertising expenditures	547	1577
	<u>112388</u>	<u>84446</u>

(4) Administration costs

Office maintenance expenses	6444	7131
Wage	51367	53473
State social security compulsory payments	8944	9834
Various utility	2654	9696
Wear and amortization of fixed assets and immaterial investment	2901	5689
Business trip	2957	1586
Other expenses	43734	36257
	<u>119001</u>	<u>123666</u>

(5) Other enterprise income from commercial activities

	2008	2007
	LVL	LVL
Subsidy for breeding animals purchasing	20330	14030
ES SAPARD program financial support	3159	3158
Various income	1823	655
Income from currency rate increase	-	2840
Stockpiles for unused vacation compensation decrease.	2552	-
	27864	20683

(6) Other enterprise costs from commercial activities

Loss from currency rate decline	14862	-
Donation	14	1
Various expenses	-	2
Surcharge	184	94
Sold fixed assets calculation value	-	185
Payment stockpiles of unused vacation	-	16146
	15060	16428

(7) Other percentage income and such income

Percentage for cash residue in bank	42	66
	42	66

(8) Percentage payments and such costs

Advance payments percentage	10428	13264
Short-term credit percentage	21460	18284
Long-term credit percentage	4653	4082
	36541	35630

(9) Enterprise income tax in financial period

Financial period enterprise income tax	2870	9702
	2870	9702

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 unused vacation	2039	-422
Temporary differences in fixed assets wear	-5472	-2422
Suspended tax liabilities (+), assets (-)	-3433	-2844

(11) Other taxes

	2008 LVL	2007 LVL
Realty tax for financial period	<u>1020</u>	<u>1219</u>

III. Explanation for separate balance positions

(12) Intangible investments

	Concessions, patents, licenses, trade-marks and similar costs LVL	Totally LVL
Initial cost		
31.12.2007.	2137	2137
Purchased	-	-
Disposed	-	-
31.12.2008.	<u>2137</u>	<u>2137</u>
Obsolescence		
31.12.2007.	1701	1701
Calculated about year 2008	165	165
Eliminated	-	-
31.12.2008.	<u>1866</u>	<u>1866</u>
Residual balance value 31.12.2007.	<u>436</u>	<u>436</u>
Residual balance value 31.12.2008.	<u>271</u>	<u>271</u>

(13) Fixed assets

	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						
31.12.2007.	1164972	461556	190124	12579	13761	1842992
Purchased			361	13761		361
Disposed					13761	
31.12.2008.	1164972	461556	190485	26340	0	1843353
Obsolescence						
31.12.2007.	690390	282389	85386	-	-	1058165
Calculated about year 2008	31077	53126	25875			110078
About disposal						
31.12.2008.	721467	335515	111261	-	-	1168243
Residual balance value 31.12.2007.	474582	179167	104738	12579	13761	784827
Residual balance value 31.12.2008.	443505	126041	79224	26340	-	675110

Enterprise owns lands with cadastral value 84 000 LVL and buildings with cadastral value 82638 LVL

(14) Biological assets

Fur animal balance value	LVL
31.12.2007.	557700
Purchased breeding animals	17131
Sold breeding animals	-
Value increase because of reproduction	895084
Value decrease because of degeneracy	(34693)
Decrease because of finished product extraction	(927381)
31.12.2008.	507841

(15) Long-term financial investments

	Other securities	Own stock or share capital	Totally
	LVL	LVL	LVL
Initial cost			
31.12.2007.	352	2500	2852
Purchased	-	-	-
Disposed	-	-	-
31.12.2008.	352	2500	2852

Residual balance value 31.12.2007.	352	2500	2852
Residual balance value 31.12.2008.	352	2500	2852

(16) Customer debts

	2008	2007
	LVL	LVL
Calculation value of customer debts	6896	9999

In financial period accumulation to doubtful liability has not set.

(17) Other debtors

Unconfirmed PVN	-	39
VAT overpayment	4228	8264
Nature recourses tax overpayment	-	70
Income-tax overpayment	7131	3806
	11359	12179

(18) Next period costs

Press subscriber	218	17
Regulation document scribe	-	166
Insurance indemnity advance payment	817	857
Advertisement in catalogues	400	347
	1435	1387

(19) Cash in box-office and bank

Cash in bank	4561	153105
Cash box-office	3493	4875
	8054	157980

(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	55080	38934
Increase /(decrease)	(2552)	16146
Increase in payment about unused vacation in the end of financial period	52528	55080

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

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

	2008 LVL	2007 LVL
Suspended enterprise income tax in the beginning of financial period	36710	39554
Increase or (decrease)	(3433)	(2844)
Suspended enterprise income tax in the end of financial period	<u>33277</u>	<u>36710</u>

(23) Other borrowings

	2008 USD	2008 LVL	2007 USD	2007 LVL
Borrowings in USD with repayment date in year 2015.	<u>470000</u>	<u>232650</u>	<u>470000</u>	<u>227480</u>

(24) Debts to suppliers and contractors

Debts to suppliers and contractors	<u>212623</u>	<u>184300</u>
------------------------------------	---------------	---------------

(25) 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								
31.12.2007		25376	16148			0	33	41557
(Overcharge)								
31.12.2007	(8264)			(3806)	(70)			(12140)
Calculated in 2008	216356	193514	101069	2869	499	1020	381	515708
Paid in 2008	(212320)	(195738)	(104191)	(6194)	(326)	(1020)	(381)	(520170)
Liability								
31.12.2008		23152	13026		103	0	33	36314
(Overcharge)								
31.12.2008	(4228)			(7131)				(11359)

* VAT overcharge displayed in "Other debtors" position.

(26) Other debts to debtors

	2008 LVL	2007 LVL
Liabilities to employees about wage	40160	45077
Residue on fuel card	251	636

<u>40411</u>	<u>45713</u>
--------------	--------------

(27) 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
	<u>-</u>	<u>3159</u>

(28) Accumulated liabilities

Communication expenses in December	730	269
Electricity in December	6765	5633
Transport utility	280	151
Compensation of damage	-	330
About spreading information	-	352
Percentage of using credit in year 2007 and 2008	8827	4082
Annual report audit	1050	1050
	<u>17652</u>	<u>11867</u>

IV. Other explanations

(29) Enterprise average staff amount

	2008	2007
Average staff amount in financial period	<u>123</u>	<u>131</u>

(30) Councilors and regents reward in financial period

	Councilor	Regent
Calculated wage, LVL	-	19489
Calculated reward for councilor, regent duties pursuance, LVL	1700	16798
Calculated state social securities payments, LVL	388	8742

(31) Recompense certified auditor

	2008	2007
	Ls	Ls
For annual report check	<u>1050</u>	<u>1050</u>

(32) Assets bother

According to caution against loan policy the enterprise movable property is pledge up to 350 000 LVL.

(33) 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, 2008.

(35) Information according to law of Financial instrument market 56 and 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 30 April, 2008	% from share capital
Jānis Siliņš	Chairman of council	30162	6.0%
Laimonis Laugalis	Chairman of board till 27.04.2007.	248256	49.7%
Gunta Isajeva	Regent	231	0.05%

Regent's 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.

MANAGERIAL LIABILITY STATEMENT

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

According to disposable information JSC “Grobiņa” contracted year 2008 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.

Daina Kalniņa
Chairman of board

Dubeni, 27 February 2009