

Joint stock company

GROBINA

Unaudited

Financial statements

**For the six month period ended
30 June 2009**

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COMPANY INFORMATION

Company name	Joint stock company "Grobiņa"
Legal status of the company	Public joint stock company
Company Registration Number with the Enterprise Register	Unified registration number: 40003017297 Riga, 12 July 2004
Address (legal and office)	3 Lapsu street, "Dubēni" Municipality Grobina "Dubēni", Liepāja district, LV 3438, Latvia
Field of activity	Fur-farming, growing, processing, sales and brokerage of agricultural produce, transport service, renting out immovable property
Chairmen of the Council	Jānis Siliņš
Members of the Council	Ojārs Petrēvics Jānis Briedis Genādijs Jefimovs Silvija Neimane
Chairman of the Management Board	Daina Kalniņa
Members of the Management Board	Andris Vītoliņš Gunta Isajeva
Reporting period	1 January 2009 – 30 June 2009

MANAGEMENT REPORT

Main operations of the joint stock company "Grobiņa" are fur-farming of mink. Due to the fall in demand for silver fox fur and quality deterioration of breeding animals, the company has terminated fur-farming of silver fox in 2009.

The net turnover of the Company amounted to 966,316 LVL for six month period ended 30 June 2009 or 40% less than over the respective period year before.

In Scandinavian auction houses, the sale of furs in terms of amount is less by 22% than the one in the respective period year before and besides of this the fall of the sales price take place.

The Company has ended six month period of 2009 with a loss of LVL 156,316. The company has started to reduce the production costs to compensate the fall of sales price.

Average number of personnel employed by the company was 116 persons in the six month period of 2009 (123 in the respective period year before).

Net loss per share is 0.313 LVL or 0.455 EUR as at 30 June 2009, earnings per share was 0.040 LVL or 0.057 EUR in 2008.

Company plans to improve breeding herd by investing 50,000 LVL in the second half of 2009.

Daina Kalniņa
Chairmen of the Board

Dubēni, 27 August 2009

PROFIT OR LOSS STATEMENT FOR THE PERIOD ENDED JUNE 30, 2009

	30.06.2009 LVL	30.06.2009 EUR	30.06.2008 LVL	30.06.2008 EUR
1. Net turnover	966,316	1,374,944	1,611,240	2,292,588
2. Cost of sales	(966,438)	(1,375,117)	(1,451,808)	(2,065,737)
3. Gross profit or loss	(122)	(173)	159,432	226,851
4. Distribution costs	(77,618)	(110,440)	(86,284)	(122,771)
5. Administrative expenses	(62,868)	(89,453)	(60,147)	(85,581)
6. Other operating income	510	726	27,534	39,177
7. Other operating expense	(2,583)	(3,675)	(57)	(81)
10. Interest receivable and similar income	-	-	40	57
12. Interest payable and similar expenses	(13,104)	(18,645)	(20,063)	(28,547)
16. Profit or loss before taxes	(155,785)	(221,662)	20,455	29,105
17. Other taxes	(531)	(756)	(510)	(726)
18. Profit or loss for the reporting period	(156,316)	(222,418)	19,945	28,379
19. Earnings per share (EPS)	(0.313)	(0.445)	0.040	0.057

Daina Kalniņa
Chairmen of the Board

Dubēni, 27 August 2009

BALANCE SHEET AS AT JUNE 30, 2009

	2009 30.06. LVL	2009 30.06. EUR	2008 30.06. LVL	2008 30.06. EUR
Assets				
Non-current assts				
I. Intangible fixed assets				
2. Concessions, patents, licences and similar rights	193	275	353	502
Total:	193	275	353	502
II. Tangible fixed assets:				
1. Land, buildings, constructions and perennial plants	428,620	609,871	458,902	652,959
3. Equipment and machinery	100,610	143,155	152,568	217,085
4. Other fixtures and fittings, tools and equipment	68,414	97,344	90,950	129,410
5. Assets under construction	26,340	37,478	12,579	17,898
6. Prepayments for tangible fixed assets	-	-	13,761	19,580
Total:	623,984	887,849	728,760	1,036,932
IV. Biological assets	1,316,243	1,872,845	1,068,438	1,520,250
V. Non-current financial assets				
5. Other securities and investments	352	501	352	501
7. Own stocks and shares	2,500	3,557	2,500	3,557
Total:	2,852	4,058	2,852	4,058
Total non-current assets	1,943,272	2,765,027	1,800,403	2,561,743
Current assets				
I. Inventories:				
1. Raw materials	132,087	187,943	194,430	276,649
3. Finished goods and goods for resale	752,675	1,070,960	687,682	978,483
5. Prepayments for goods	-	-	8,195	11,660
Total:	884,762	1,258,903	890,307	1,266,792
II. Receivables:				
1. Trade receivables	31,839	45,303	350,540	498,773
4. Other receivables	15,565	22,147	32,199	45,815
7. Prepaid expense	51,304	72,999	81,534	116,012
Total:	98,708	140,449	464,273	660,601
IV. Cash (Total)	102,528	145,884	6,191	8,809
Total current assets:	1,085,998	1,545,236	1,360,771	1,936,201
Total assets	3,029,270	4,310,263	3,161,174	4,497,945

BALANCE SHEET AS AT JUNE 30, 2009

	2009 30.06. LVL	2009 30.06. EUR	2008 30.06. LVL	2008 30.06. EUR
<u>Equity and liabilities</u>				
Capital and reserves:				
1.Share capital	500,000	711,436	500,000	711,436
5. Reserves				
c) statutory reserves	54,454	77,481	54,454	77,481
6. Retained earnings or loss				
a) brought forward	1,676,119	2,384,902	1,667,334	2,372,403
b) for the period	(156,316)	(222,418)	19,945	28,379
Total :	2,074,257	2,951,402	2,241,733	3,189,699
Provisions:				
3.Other provisions	52,528	74,741	55,080	78,372
Total:	52,528	74,741	55,080	78,372
Liabilities:				
Non-current liabilities:				
3. Deferred taxation	33,277	47,349	36,710	52,234
4. Other loans	235,470	335,044	210,090	298,931
Total:	268,747	382,393	246,800	351,165
Current liabilities:				
3. Loans from credit institutions	347,512	494,465	347,183	493,997
5. Prepayments received	-	-	757	1,077
6. Trade payables	228,918	325,721	205,231	292,017
10.Taxes payable	28,855	41,057	32,438	46,155
11. Other liabilities	19,518	27,772	28,794	40,970
12. Deferred income	8,935	12,713	3,158	4,493
Total:	633,738	901,728	617,561	878,710
Total liabilities:	902,485	1,284,120	864,361	1,229,875
<u>Total equity and liabilities</u>	<u>3,029,270</u>	<u>4,310,263</u>	<u>3,161,174</u>	<u>4,497,945</u>

Daina Kalniņa
Chairmen of the Board

Dubēņi, 27 August 2009

**STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD
ENDED JUNE 30, 2009**

	Share capital	Share capital	Statū tos noteik tās rezer ves	Statu- tory reser- ves	Retained earnings	Retained earnings	Total	Total
	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
Balance as at 31 December 2007	500,000	711,436	54,454	77,481	1,667,334	2,372,403	2,221,788	3,161,320
Profit for the reporting period					8,785	12,500	8,785	12,500
Balance as at 31 December 2008	500,000	711,436	54,454	77,481	1,676,119	2,384,902	2,230,573	3,173,819
Profit for the reporting period					(156,316)	(222,418)	(156,216)	(222,418)
Balance as at 30 June, 2009	500,000	711,436	54,454	77,481	1,519,803	2,162,485	2,074,257	2,951,402

Daina Kalniņa
Chairmen of the Board

Dubēņi, 27 August 2009

CASH FLOW STATEMENT FOR THE PERIOD ENDED JUNE 30,2009

	30.06.2009 LVL	30.06.2009 EUR	30.06.2008 LVL	30.06.2008 EUR
Cash flows to/from operating activities				
1. Net profit or loss before extraordinary items and taxes	(155,785)	(221,662)	20,455	29,105
<u>Adjustments for:</u>				
a) amortisation and depreciation	51,768	73,659	56,429	80,291
b) amortisation of intangible assets	78	111	83	118
c) gain/loss from fluctuations of currency exchange rates	2,510	3,571	(8,366)	(11,904)
d) grants received	-	-	(19,177)	(27,286)
e) interest income	-	-	(40)	(57)
f) interest expense	13,104	18,645	20,063	28,547
2. Operating profit or loss before working capital changes	(88325)	(125675)	69447	98814
a) Increase/ decrease in biological assets	(808,402)	(1,150,252)	(510,738)	(726,715)
b) Increase/decrease in inventories	115,8301	1,648,114	1,178,949	1,677,493
c) Increase/decrease in receivables	(79,018)	(112,432)	(440,708)	(627,071)
d) increase/decrease in payables	(70,499)	(100,311)	(432,349)	(615,177)
3. Cash generated from operations	112,057	159,443	(135,399)	(192,655)
4. Interest paid	(13,104)	(18,645)	(20,063)	(28,547)
5. Real estate tax paid	(531)	(756)	(510)	(726)
8. Net cash flows to/from operating activities	98,422	140,042	(155,972)	(221,928)
Cash flows to/from investing activities				
1. Purchase of fixed assets	(578)	(822)	(362)	(515)
3. Interest received	-	-	40	57
9. Net cash flows to/from investing activities	(578)	(822)	(322)	(458)
Cash flows to/from financing activities				
1. Loans received	437,048	621,863	375,827	534,754
2. Loans paid	(437,908)	(623,087)	(398,865)	(567,534)
3. Grants received	-	-	19,177	27,286
10. Net cash flows from financing activities	(860)	(1,224)	(3,861)	(5,494)
Effect of exchange rate fluctuations	(2510)	(3571)	8366	11904
Change in cash and cash equivalents	94474	134424	(151789)	(215976)
Cash and cash equivalents at the beginning of the reporting period	8054	11460	157980	224785
Cash and cash equivalents at the end of the reporting period	102528	145884	6191	8809

Daina Kalniņa
Chairmen of the Board

Dubēni, 27 August 2009

Notes to the financial statements

I. Accounting policies

a. General principles

The financial statements have been prepared in compliance with the laws of the Latvian Republic „On Accounting”, „On Annual Accounts of Undertakings” and Latvian Accounting Standards.

The Statement of Profit and Loss has been prepared according to turnover cost method.

The Cash Flow Statement has been drawn up by establishing the cash flow from operating activities according to indirect method.

In comparison to the previous reporting period the respective amounts in the balance sheet, profit or loss account, statement of changes in equity and cash flow statement are included as at June 30, 2009 and June 30, 2008.

b. Net turnover

Net turnover is the total amount of the value of the products sold and services rendered within a year less discounts granted and less value added tax. Other income is recognized at the time of its appearance, when there is a legal basis for it.

c. Intangible and fixed assets

Intangible assets, in general, consist of computer software licences. Intangible assets are shown at the cost of acquisition less accumulated depreciation. Depreciation has been calculated according to linear method by applying 20% rate per annum.

All fixed assets have been initially evaluated at their acquisition value. Fixed assets have been presented at their acquisition value less accrued depreciation. Depreciation has been calculated according to linear method in the period of the useful life of the corresponding fixed assets, in order to write off regularly the value up to their calculated residual value as at the end of their useful life by applying rates approved by the management.

	% per annum
Buildings	1,7% - 8,5%
Equipment and machinery	5,3% - 25%
Other tangible assets	9,1% - 33,33%

d. Biological assets

Fur-bearing animals are recognized as biological assets.

e. Inventory

The inventories are stated at the lower of cost and net realisable value. Cost is determined using the FIFO method.

Residuals of raw materials, materials and purchased goods have been accounted for at their acquisition cost price. Residuals of finished products and fur-bearing animals have been evaluated at cost price.

1.5. Trade receivables

Trade receivables are presented in the balance sheet at their net value by deducting special provisions for doubtful accounts receivable from the historical value. The amount of doubtful accounts receivable is established by analysing the term of each account receivable and by using other relative information about their recovery.

1.6. Cash and cash equivalents

For purposes of the cash flow statement, cash and cash equivalents comprise cash, the balances of the current bank account and other current liquid financial assets.

1.7. Accruals for unused annual leave

Amount of accumulated unused annual leave is determined by multiplying the average day rate of employees for the last six month of the financial year by the amount of accrued but unused leave at the end of the reporting period.

1.8. Grants

The allocated financial support related to fixed assets has been recognized as deferred income and entered into income within period of useful life of respective fixed asset.

2. Foreign currencies

In the financial statements and in accounting, the cash unit of the Latvian Republic – the lat has been used as a cash unit and value measure. All transactions in foreign currencies have been transferred to lats according to the official exchange rate set by the Latvian Bank on the corresponding transaction day. Assets and liabilities in foreign currencies have been transferred into lats according to the exchange rate set by the Latvian Bank on the last day of the reporting period. Profit or loss gained as a result of foreign currency rate fluctuations has been accounted for in the Statement of Profit and Loss of the corresponding reporting period

	2009. 30.06.	2008. 30.06.
1 USD	0.501	0.447
1 EUR	0.702804	0.702804
1 DKK	0.0944	0.0942
1 LTL	0.204	0.204
1 RUB	0.0161	0.019

In accordance with the Riga Stock Exchange requirements all balances are presented in Euro (EUR). For the purposes of disclosures translation is performed applying the official exchange rate adopted by the Bank of Latvia 1 LVL=0,702804 EUR as at 30 June 2009.

3. Earnings per share (EPS)

Net loss per share is 0.313 LVL or 0.455 EUR as at 30 June 2009, earnings per share was 0.040 LVL or 0.057 EUR in 2008.

4. Average number of employees

Average number of personnel employed by the company was 116 persons in the six month period of 2009 (123 in the respective period year before).

DECLARATION OF MANAGEMENT RESPONSIBILITY

The interim financial statements are the responsibility of the management of the JSC "Grobiņa". Management of the company declares that in accordance with possessed information, presented condensed financial statements are prepared under actual laws and regulations and represent truthful and clear information on the company assets, equity, liabilities, financial situation and profit or loss.

Interim management Report contains truthful information.

The established control procedures for prevention internal risk are effective. Risk management and established internal control procedures have been applied consistently during the reporting period.

The management is responsible for performance in compliance with legislation of Latvian Republic.

Daina Kalniņa
Chairman of the Board

Dubēni, 27 August 2009