

**Joint Stock Company**

**GROBINA**

**Unaudited  
Financial Statement  
For Twelve-Month Period Ended  
31 December 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
Chairman 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 – 31 December 2009

## MANAGEMENT REPORT

The main business of the JSC „Grobiņa” is mink breeding for fur production.

Over 12 months of 2009 the net turnover was LVL 1 359 277. In comparison to 12 months of the previous year it has decreased by 40%. Both the number of sold furs and their selling price have reduced. The average number of employees employed by the JSC "Grobiņa" over 12 months of 2009 was 112 people, in the respective period of the year 2008 the Company employed 123 people.

Over 12 months of 2009 the losses constituted LVL 944 969. The Company's losses were mainly related to the global economic recession which caused considerable drop in fur demand on the market and in prices in year 2009 while selling the animal furs produced in 2008. Besides aforementioned due to uncharacteristic winter weather conditions in the present year specific gravity of fallen fur animals has increased materially in comparison to the previous accounting periods, resulting in extra losses for the Company in the last quarter of year 2009. As a result, over 12 months of 2009 the net losses per one share constituted LVL 1.89 or EUR 2.69; over 12 months of 2008 the profit per share was LVL 0.018 or EUR 0.025.

In 2009 the complex of measures taken by the management of the JSC "Grobiņa" to lower the cost price of fur animals (cutting the wages fund by 40%, decrease of the expenses related to fur animal breeding by 18%, improvement of the produced fur quality and other measures) will have impact on the Company's financial indices in the year 2010 upon selling the furs of the animals bred in 2009.

In year 2010 the Company has planned to take additional measures aimed at prevention of the Company's impending losses, among them to improve the produced fur quality by purchasing additionally a new qualitative breeding fur animal herd.

Taking into account the amount of losses in the accounting period and according to the Republic of Latvia Commercial Law, Section 271, the Company shall convene an extraordinary shareholders' meeting, during which the Board shall provide explanations. The extraordinary shareholders' meeting will already been convened on March 4, 2010; the agenda includes the Board's reports related to the Company's losses. Irrespective of the Company's losses insolvency features stipulated in the Republic of Latvia "Insolvency Law", Section 50, are not recognisable regarding the JSC "Grobiņa". The Company does not need a remedy at law either, as the Company's insolvency is not limited that is substantiated by the Company's liquidity ratio 3.5.

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Daina Kalniņa  
Board Chairman

Dubēni, 26 February 2009

JOINT STOCK COMPANY "GROBIŅA"  
UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR THE TWELVE MONTHS PERIOD ENDED DECEMBER  
2009

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**PROFIT OR LOSS STATEMENT FOR THE PERIOD ENDED DECEMBER 30, 2009**

	31.12.2009 LVL	31.12.2009 EUR	31.12.2008 LVL	31.12.2008 EUR
1. Net turnover	1 359 277	1 934 077	2 278 964	3 242 674
2. Cost of sales	(2 083 334)	(2 964 318)	(2 014 638)	(2 866 572)
3. <b>Gross profit or loss</b>	<b>(724 057)</b>	<b>(1 030 241)</b>	<b>264 326</b>	<b>376 102</b>
4. Distribution costs	(105 734)	(150 446)	(112 388)	(159 914)
5. Administrative expenses	(103 057)	(146 638)	(119 001)	(169 323)
6. Other operating income	3	5	27 864	39 647
7. Other operating expense	(31)	(44)	(15 060)	(21 428)
10. Interest receivable and similar income	18 186	25 876	42	60
12. Interest payable and similar expenses	(29 216)	(41 570)	(36 541)	(51 993)
16. <b>Profit or loss before taxes</b>	<b>(943 906)</b>	<b>(1 343 058)</b>	<b>9 242</b>	<b>13 150</b>
17. Tax on profit for financial period	-	-	(2 870)	(4 084)
18. Suspended enterprise income tax			3 433	4 885
19. Other taxes	(1 063)	(1 511)	(1 020)	(1 451)
20. <b>Profit or loss for the reporting period</b>	<b>(944 969)</b>	<b>(1 344 569)</b>	<b>8 785</b>	<b>12 500</b>
21. <b>Earnings per share (EPS)</b>	<b>(1.889)</b>	<b>(2.688)</b>	<b>0.018</b>	<b>0.025</b>

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Daina Kalniņa  
Chairman of the Board

Dubēni, 26 February 2009

**BALANCE SHEET AS AT DECEMBER 31, 2009**

	2009 31.12. LVL	2009 31.12. EUR	2008 31.12. LVL	2008 31.12. EUR
<b><u>Assets</u></b>				
<b>Non-current assts</b>				
<b>I. Intangible fixed assets</b>				
2. Concessions, patents, licences and similar rights	119	170	271	386
<b>Total:</b>	<b>119</b>	<b>170</b>	<b>271</b>	<b>386</b>
<b>II. Tangible fixed assets:</b>				
1. Land, buildings, constructions and perennial plants	413 736	588 693	443 505	631 051
3. Equipment and machinery	80 164	114 064	126 041	179 340
4. Other fixtures and fittings, tools and equipment	58 343	83 015	79 224	112 726
5. Assets under construction	26 340	37 478	26 340	37 478
6. Prepayments for tangible fixed assets	-	-	-	-
<b>Total:</b>	<b>578 583</b>	<b>823 250</b>	<b>675 110</b>	<b>960 595</b>
<b>IV. Biological assets</b>	<b>207 827</b>	<b>295 711</b>	<b>507 841</b>	<b>722 593</b>
<b>V. Non-current financial assets</b>				
5. Other securities and investments	352	501	352	501
7. Own stocks and shares	2 500	3 557	2 500	3 557
<b>Total:</b>	<b>2 852</b>	<b>4 058</b>	<b>2 852</b>	<b>4 058</b>
<b>Total non-current assets</b>	<b>789 381</b>	<b>1 123 189</b>	<b>1 186 074</b>	<b>1 687 631</b>
<b>Current assets</b>				
<b>I. Inventories:</b>				
1. Raw materials	29 490	41 960	91 808	130 631
3. Finished goods and goods for resale	1 530 936	2 178 325	1 951 255	2 776 386
5. Prepayments for goods	1 287	1 831	-	-
<b>Total:</b>	<b>1 561 713</b>	<b>2 222 116</b>	<b>2 043 063</b>	<b>2 907 017</b>
<b>II. Receivables:</b>				
1. Trade receivables	3 452	4 912	6 896	9 812
4. Other receivables	4 779	6 800	11 359	16 162
7. Prepaid expense	677	963	1 435	2 042
8. Accrued revenues	9916	14109	-	-
<b>Total:</b>	<b>18 824</b>	<b>26 784</b>	<b>19 690</b>	<b>28 016</b>
<b>IV. Cash (Total)</b>	<b>26 649</b>	<b>37 918</b>	<b>8 054</b>	<b>11 460</b>
<b>Total current assets:</b>	<b>1 607 186</b>	<b>2 286 818</b>	<b>2 070 807</b>	<b>2 946 493</b>
<b><u>Total assets</u></b>	<b>2 396 567</b>	<b>3 410 007</b>	<b>3 256 881</b>	<b>4 634 124</b>

**BALANCE SHEET AS AT DECEMBER 31, 2009**

	<b>2009 31.12.</b>	<b>2009 31.12.</b>	<b>2008 31.12.</b>	<b>2008 31.12.</b>
<b><u>Equity and liabilities</u></b>				
<b>Capital and reserves:</b>				
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	1 667 333	2 372 401
b) for the period	(944 969)	(1 344 569)	8 785	12 500
<b>Total :</b>	<b>1 285 604</b>	<b>1 829 250</b>	<b>2 230 572</b>	<b>3 173 818</b>
<b>Provisions:</b>				
3.Other provisions	52 528	74 741	52 528	74 741
<b>Total:</b>	<b>52 528</b>	<b>74 741</b>	<b>52 528</b>	<b>74 741</b>
<b>Liabilities:</b>				
<b>Non-current liabilities:</b>				
3. Deferred taxation	33 277	47 349	33 277	47 349
4. Loans from credit institutions	344 187	489 734		
5. Other loans	225 600	321 000	232 650	331 031
<b>Total:</b>	<b>603 064</b>	<b>857 723</b>	<b>265 927</b>	<b>378 380</b>
<b>Current liabilities:</b>				
3. Loans from credit institutions			351 191	499 700
5. Prepayments received	81977	116643	49663	70664
6. Trade payables				
	272 560	387 817	212 623	302 535
10.Taxes payable				
	59 339	84 431	36 314	51 670
11. Other liabilities	24 848	35 355	40 411	57 500
12. Deferred income	-	-	-	-
13. Accrued liabilities	16 647	23 687	17 652	25 117
<b>Total:</b>	<b>455 371</b>	<b>647 933</b>	<b>707 854</b>	<b>1 007 186</b>
<b>Total liabilities:</b>	<b>1 058 435</b>	<b>1 506 016</b>	<b>973 781</b>	<b>1 385 566</b>
<b><u>Total equity and liabilities</u></b>	<b><u>2 396 567</u></b>	<b><u>3 410 007</u></b>	<b><u>3 256 881</u></b>	<b><u>4 634 124</u></b>

Daina Kalniņa  
Chairman of the Board

Dubēni, 26 February 2009

**STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD  
 ENDED DECEMBER 31, 2009**

	Share capital	Share capital	Statu- tory reser- ves	Statu- tory reser- ves	Retained earnings	Retained earnings	Total	Total
	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
<b>Balance as at 1 January 2008</b>	<b>500 000</b>	<b>711 436</b>	<b>54 454</b>	<b>77 481</b>	<b>1 667 334</b>	<b>2 372 403</b>	<b>2 221 788</b>	<b>3 161 320</b>
Profit for the reporting period					8 785	12 500	8 785	12 500
<b>Balance as at 31 December 2008</b>	<b>500 000</b>	<b>711 436</b>	<b>54 454</b>	<b>77 481</b>	<b>1 676 119</b>	<b>2 384 902</b>	<b>2 230 573</b>	<b>3 173 819</b>
Profit for the reporting period					(944 969)	(1 344 569)	(944 969)	(1 344 569)
<b>Balance as at 31 December, 2009</b>	<b>500 000</b>	<b>711 436</b>	<b>54 454</b>	<b>77 481</b>	<b>731 150</b>	<b>1 040 332</b>	<b>1 285 604</b>	<b>1 829 250</b>

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Daina Kalniņa  
 Chairman of the Board

Dubēni, 26 February 2009

**CASH FLOW STATEMENT FOR THE PERIOD ENDED DECEMBER 30, 2009**

	31.12.2009 LVL	31.12.2009 EUR	31.12.2008 LVL	31.12.2008 EUR
<b>Cash flow to/from operating activities</b>				
<b>1. Net profit or loss before extraordinary items and taxes</b>	<b>(943906)</b>	<b>(1343057)</b>	<b>9242</b>	<b>13150</b>
<u>Adjustments for:</u>				
a) amortisation and depreciation	97074	138124	110078	156627
b) amortisation of intangible assets	151	215	165	235
c) fixed asset liquidation	31	44	-	-
d) formation of accumulations			(2552)	(3631)
e) gain/loss from fluctuations of currency exchange rates	(6558)	(9331)	14862	21147
f) grants received	(33579)	(47779)	(23489)	(33422)
g) interest income	(6)	(9)	(42)	(60)
h) donations			14	20
i) interest expense	29216	41571	36541	51993
<b>2. Operating profit or loss before working capital changes</b>	<b>(857577)</b>	<b>(1220222)</b>	<b>144819</b>	<b>206059</b>
a) Increase/ decrease in biological assets	300014	426881	49859	70943
b) Increase/ decrease in inventories	481350	684899	26193	37269
c) Increase/decrease in receivables	866	1232	3875	5514
d) increase/decrease in payables	98708	140449	(349497)	(497289)
<b>3. Cash generated from operations</b>	<b>23361</b>	<b>33240</b>	<b>(124751)</b>	<b>(177504)</b>
4. Interest paid	(29216)	(41571)	(36541)	(51993)
5. Expenses for enterprise income tax			(2870)	(4084)
6. Suspended enterprise income tax			3433	4885
7. Real estate tax paid	(1063)	(1513)	(1020)	(1451)
<b>8. Net cash flow to/from operating activities</b>	<b>(6918)</b>	<b>(9843)</b>	<b>(161749)</b>	<b>(230147)</b>
<b>Cash flow to/from investing activities</b>				
1. Purchase of fixed assets	(578)	(822)	(361)	(514)
3. Interest received	6	9	42	60
<b>9. Net cash flow to/from investing activities</b>	<b>(572)</b>	<b>(814)</b>	<b>(319)</b>	<b>(454)</b>
<b>Cash flow to/from financing activities</b>				
1. Loans received	427158	607791	1153711	1641583
2. Loans paid	(441210)	(627786)	(1150182)	(1636562)
3. Grants received	33579	47779	23489	33422
4. Expenses for donations			(14)	(20)
<b>10. Net cash flow from financing activities</b>	<b>19527</b>	<b>27784</b>	<b>27004</b>	<b>38423</b>
<b>Effect of exchange rate fluctuations</b>	<b>6558</b>	<b>9331</b>	<b>(14862)</b>	<b>(21147)</b>
<b>Change in cash and cash equivalents</b>	<b>18595</b>	<b>26458</b>	<b>(149926)</b>	<b>(213325)</b>
<b>Cash and cash equivalents at the beginning of the reporting period</b>	<b>8054</b>	<b>11460</b>	<b>157980</b>	<b>224785</b>

Cash and cash equivalents at the end of the reporting period	26649	37918	8054	11460
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Daina Kalniņa  
Chairman of the Board  
Dubēni, 26 February 2009

## Notes to the Financial Statement

### 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 the turnover cost method.

The Cash Flow Statement has been drawn up by establishing the cash flow from operating activities according to the 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 December 31, 2009 and December 31, 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

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 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 the 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.

	<b>% per annum</b>
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. 31.12.	2008. 31.12.
1 USD	0.489	0.495
1 EUR	0.702804	0.702804
1 DKK	0.0944	0.0943
1 LTL	0.204	0.203
1 RUB	0.0164	0.0171

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 December 2009.

### 3. Earnings per share (EPS)

Net loss per share is 1.89 LVL or 2.69 EUR as at 30 December 2009, earnings per share were 0.018 LVL or 0.025 EUR in the year 2008.

#### **4. Average number of employees**

Average number of personnel employed by the company was 112 persons in the twelve-month period of 2009 (123 in the respective period the 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.

Unaudited 2009 annual 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.

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Daina Kalniņa  
Chairman of the Board

Dubēni, 26 February 2009