

Joint stock company

GROBINA

Non-audited

Financial statements

**For the 6 months period ended
30 June 2010**

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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	Gunārs Laugalis Jānis Meijubers Aivars Žvagulis Dagmāra Šlosberga
Chairman of the Management Board	Daina Kalniņa
Members of the Management Board	Andris Vītoliņš Gunta Isajeva
Reporting period	1 January 2010 – 30 June 2010
Name and address of the Auditor	Marija Jansone Certified Auditor (LACA Certificate No.25) "Zvērinātu revidentu firma KAPITĀLS", Ltd. Certified auditors commercial company Licence No.6 Liepāja, Graudu 23, LV – 3401, Latvia

MANAGEMENT REPORT

The main operation of the JSC "Grobiņa" is fur-farming of minks.

Over the first half of 2010 the net turnover was LVL 751 814. Compared with the first half of the previous year it reduced by 1.3 %. The sale price in Scandinavian auction houses increased. The profit over 6 months of the year 2010 was LVL 67 747.

The average number of employees employed by the joint stock company "Grobiņa" in the six months of the year 2010 was 89, while in the respective period of the year 2009 the Company employed 116 people.

In the first half of 2010 the current agreement on restructuring of the credit line was concluded with the credit institution and the sum EUR 75 900 was repaid, which accounts for 75% of the basic sum to be repaid in 2010. In the finance reports covering the intermediate periods of the first quarter 2010 the short-term liabilities include the short-term share of the short-term bank loan, and the long-term liabilities include the long-term share, which is a long-term credit with the term of discharge 30th October 2015. The sum to be repaid in 2010 is EUR 100 000. The Company Management believes that the company will have enough cash resources so as its liquidity is not threatened.

June 2010 is paid in advance of EUR 110 000 mink breeding swear purchase. In 2010 the company will buy mink breeding swear by EUR 830,000

In the 6 months of 2010 net earnings per share amounted to LVL 0.139 or EUR 0.194; in the 6 months of year 2009 net loss per share constituted LVL 0.313 or EUR 0.445

Daina Kalniņa
Chairmen of the Board

Dubēni, 26 August 2010

PROFIT OR LOSS STATEMENT FOR THE PERIOD ENDED JUNE 30, 2010

	30.06.2010 LVL	30.06.2010 EUR	30.06.2009 LVL	30.06.2009 EUR
1. Net turnover	751 814	1 069 735	966 316	1 374 944
2. Cost of sales	(566 785)	(806 462)	(966 438)	(1 375 117)
3. Gross profit or loss	185 029	263 273	(122)	(173)
4. Distribution costs	(45 629)	(64 924)	(77 618)	(110 440)
5. Administrative expenses	(62 319)	(88 672)	(62 868)	(89 453)
6. Other operating income	719	1023	510	726
7. Other operating expense			(2 583)	(3 675)
10. Interest receivable and similar income	46	65	-	-
12. Interest payable and similar expenses	(10 099)	(14 370)	(13 104)	(18 645)
16. Profit or loss before taxes	67 747	96 395	(155 785)	(221 662)
17. Other taxes			(531)	(756)
18. Profit or loss for the reporting period	67 747	96 395	(156 316)	(222 418)
19. Earnings per share (EPS)	0.136	0.194	(0.313)	(0.445)

Daina Kalniņa
Chairmen of the Board

Dubēņi, 26 June 2010

BALANCE SHEET AS AT JUNE 30, 2010

	30.06. 2010 LVL	30.06. 2010 EUR	30.06. 2009 LVL	30.06. 2009 EUR
Assets				
Non-current assets				
I. Intangible fixed assets				
2. Concessions, patents, licences and similar rights	61	87	193	275
Total:	61	87	193	275
II. Tangible fixed assets:				
1. Land, buildings, constructions and perennial plants	405 723	577 292	428 620	609 871
3. Equipment and machinery	66 937	95 243	100 610	143 155
4. Other fixtures and fittings, tools and equipment	52 632	74 889	68 414	97 344
5. Assets under construction	26 340	37 478	26 340	37 478
6. Prepayments for tangible fixed assets	-	-	-	-
Total:	551 632	784 902	623 984	887 849
IV. Biological assets	329 105	468 274	1 316 243	1 872 845
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	883 589	1 257 234	1 943 272	2 765 027
Current assets				
I. Inventories:				
1. Raw materials	73 492	104 570	132 087	187 943
2. Unfinished production	1 962	2 792	-	-
3. Finished goods and goods for resale	916 026	1 303 388	752 675	1 070 960
5. Prepayments for goods	112 123	159 537	-	-
Total:	1 103 603	1 570 287	884 762	1 258 903
II. Receivables:				
1. Trade receivables	291 978	415 447	31 839	45 303
4. Other receivables	4 173	5 938	15 565	22 147
7. Prepaid expense	203 876	290 089	51 304	72 999
Total:	500 027	711 474	98 708	140 449
IV. Cash (Total)	162 424	231 109	102 528	145 884
Total current assets:	1 766 054	2 512 870	1 085 998	1 545 236
Total assets	2 649 704	3 770 191	3 029 270	4 310 263

BALANCE SHEET AS AT JUNE 30, 2010

	30.06. 2010 LVL	30.06. 2010 EUR	30.06. 2009 LVL	30.06. 2009 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	697 616	992 618	1 676 119	2 384 902
b) for the period	67 747	96 395	(156 316)	(222 418)
Total :	1 319 817	1 877 930	2 074 257	2 951 402
Provisions:				
3.Other provisions	23 060	32 811	52 528	74 741
Total:	23 060	32 811	52 528	74 741
Liabilities:				
Non-current liabilities:				
2. Loans from credit institutions	273 907	389 735		
3. Deferred taxation	-	-	33 277	47 349
4. Other loans	229 830	327 019	235 470	335 044
Total:	503 737	716 754	268 747	382 393
Current liabilities:				
3. Loans from credit institutions	16 938	24 101	347 512	494 465
4. Other loans	13 317	18 948		
5. Prepayments received	515 188	733 047	-	-
6. Trade payables	185 725	264 263	228 918	325 721
10.Taxes payable	61 568	87 604	28 855	41 057
11. Other liabilities	10 354	14 733	19 518	27 772
12. Deferred income	-	-	8 935	12 713
15. Accrued liabilities	-	-	-	-
Total:	803 090	1 142 696	633 738	901 728
Total liabilities:	1 306 827	1 859 450	902 485	1 284 120
<u>Total equity and liabilities</u>	<u>2 649 704</u>	<u>3 770 191</u>	<u>3 029 270</u>	<u>4 310 263</u>

Daina Kalniņa
Chairmen of the Board

Dubēni, 26 August 2010

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED JUNE 30, 2010

	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
Balance as at 31 December 2008	500 000	711 436	54 454	77 481	1 676 118	2 384 901	2 230 572	3 173 818
Profit for the reporting period					(978 502)	(1392283)	(978 502)	(1392283)
Balance as at 31 December 2009	500 000	711 436	54 454	77 481	697 616	992 618	1 252 070	1 781 535
Profit for the reporting period					67 747	96 395	67 747	67 747
Balance as at 30 June, 2010	500 000	711 436	54 454	77 481	765 363	1 089 013	1 319 817	1 877 930

Daina Kalniņa
Chairmen of the Board

Dubēni, 26 August 2010

CASH FLOW STATEMENT FOR THE PERIOD ENDED JUNE 30,2010

	30.06.2010 LVL	30.06.2010 EUR	30.06.2009 LVL	30.06.2009 EUR
Cash flows to/from operating activities				
1. Net profit or loss before extraordinary items and taxes	67 747	96 395	(155 785)	(221 662)
<u>Adjustments for:</u>				
a) amortisation and depreciation	33 364	47 473	51 768	73 659
b) amortisation of intangible assets	35	50	78	111
c) gain/loss from fluctuations of currency exchange rates	(720)	(1 024)	2 510	3 571
d) grants received	-	-	-	-
e) interest income	(46)	(65)	-	-
f) interest expense	10 099	14 370	13 104	18 645
2. Operating profit or loss before working capital changes	110 479	157 199	(88 325)	(125 675)
Increase/ decrease in biological assets	(86 355)	(122 872)	(808 402)	(1 150 252)
b) Increase/ decrease in inventories	333 043	473 877	1 158 301	1 648 114
c) Increase/decrease in receivables	(478 528)	(680 884)	(79 018)	(112 432)
d) increase/decrease in payables	315 945	449 550	(70 499)	(100 311)
3. Cash generated from operations	194 584	276 870	112 057	159 443
4. Interest paid	(10 099)	(14 370)	(13 104)	(18 645)
5. Real estate tax paid			(531)	(756)
8. Net cash flows to/from operating activities	184 485	262 500	98 422	140 042
Cash flows to/from investing activities				
1. Purchase of fixed assets	(3 631)	(5 167)	(578)	(822)
3. Interest received	46	65	-	-
9. Net cash flows to/from investing activities	(3 585)	(5 102)	(578)	(822)
Cash flows to/from financing activities				
1. Loans received			437 048	621 863
2. Loans paid	(53 343)	(75 900)	(437 908)	(623 087)
3. Grants received			-	-
10. Net cash flows from financing activities	(53 343)	(75 900)	(860)	(1 224)
Effect of exchange rate fluctuations	720	1 024	(2 510)	(3 571)
Change in cash and cash equivalents	128 277	182 522	94 474	134 424
Cash and cash equivalents at the beginning of the reporting period	34 147	48 587	8 054	11 460
Cash and cash equivalents at the end of the reporting period	162 424	231 109	102 528	145 884

Daina Kalniņa
Chairmen of the Board
Dubēni, 26 August 2010

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, 2010 and June 30, 2009.

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 three 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

	2010. 30.06.	2009. 30.06.
1 USD	0.573	0.501
1 EUR	0.702804	0.702804
1 DKK	0.0944	0.0944
1 LTL	0.204	0.204
1 RUB	0.0184	0.0161

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 2010.

3. Earnings per share (EPS)

Net earnings per share is 0.136 LVL or 0.194 EUR as at 30 June 2010, net loss per share was 0.313 LVL or 0.445 EUR in 30 June 2009.

4. Average number of employees

Average number of personnel employed by the company was 89 persons in the six months period of 2010 (116 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.

2010 on a six-months 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, 26 August 2010