

Joint Stock Company

GROBINA

Non-audited

Financial Statement

For Nine-Month Period Ended

30 September 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 Grobiņa "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	Argita Jaunsleina
Members of the Council	Gunārs Laugalis Jānis Meijubers Santa Blīgzna Sarmīte Ziediņa
Chairman of the Management Board	Daina Kalniņa
Members of the Management Board	Andris Vītoliņš Gunta Isajeva
Reporting period	1 January 2010 – 30 September 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 operating activity of the JSC "Grobiņa" is fur-farming of minks.

Over 9 months of 2010 the net turnover was **LVL 1 917 680**. Compared with the 9 months of the previous year it increased by **58.7 %**. The selling price in the Scandinavian auction houses increased.

The profit over 9 months of 2010 was **LVL 189 117**.

The average number of employees employed by the joint stock company "Grobiņa" in the 9 months of 2010 was 86 people, while in the respective period of the year 2009 the Company employed 111 people.

Over 9 months of 2010 the credit of **EUR 179 495** was repaid. The remaining amount of the bank long-term credit as at 30.09.2010 constituted **EUR 310 234**.

In the year 2010 the Company purchased breeding animals at a cost of **EUR 1 031 550**.

In the first 9 months of 2010 net earnings per share amounted to LVL 0.378 or EUR 0.539; in the first 9 months of 2009 losses per share constituted LVL 1.422 or EUR 2.023.

Daina Kalniņa
Chairman of the Board

Dubēji, 12th November 2010

JOINT STOCK COMPANY "GROBIŅA"
 UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER
 2010

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

	30.09.2010 LVL	30.09.2010 EUR	30.09.2009 LVL	30.09.2009 EUR
1. Net turnover	1 917 680	2 728 613	1 208 268	1 719 210
2. Cost of sales	(1 524 921)	(2 169 767)	(1 213 164)	(1 726 176)
3. Gross profit or loss	392 759	558 846	(4 896)	(6 966)
4. Distribution costs	(105 478)	(150 082)	(102 035)	(145 183)
5. Administrative expenses	(94 403)	(134 323)	(86 061)	(122 454)
6. Other operating income	14 478	20 600	6 681	9 506
7. Other operating expense	-	-	(106)	(151)
10. Interest receivable and similar income	47	67	2	3
12. Interest payable and similar expenses	(17 109)	(24 344)	(16 602)	(23 623)
16. Profit or loss before taxes	190 294	270 764	(203 017)	(288 868)
17. Other taxes	(1 177)	(1 675)	(797)	(1 134)
18. Profit or loss for the reporting period	189 117	269 089	(203 814)	(290 002)
19. Earnings per share (EPS)	0.378	0.539	(1.422)	(2.023)

 Daina Kalniņa
 Chairman of the Board

Dubēji, 12 November 2010

BALANCE SHEET AS AT SEPTEMBER 30, 2010

	2010 30.09. LVL	2010 30.09. EUR	2009 30.09. LVL	2009 30.09. EUR
<u>Assets</u>				
Non-current assets				
I. Intangible fixed assets				
2. Concessions, patents, licences and similar rights	37	53	156	222
Total:	37	53	156	222
II. Tangible fixed assets:				
1. Land, buildings, constructions and perennial plants	400 857	570 368	421 178	599 282
3. Equipment and machinery	108 238	154 009	89 330	127 105
4. Other fixtures and fittings, tools and equipment	66 533	94 668	62 720	89 243
5. Assets under construction	26 340	37 478	26 340	37 478
6. Prepayments for tangible fixed assets	-	-	-	-
Total:	601 968	856 523	599 568	853 108
IV. Biological assets	210 901	300 085	1 412 723	2 010 124
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	815 758	1 160 719	2 015 299	2 867 512
Current assets				
I. Inventories:				
1. Raw materials	68 357	97 263	42 626	60 651
2. Unfinished production	102 213	145 436	-	-
3. Finished goods and goods for resale	131 472	187 068	543 608	773 484
5. Prepayments for goods	15 670	22 296	-	-
6. Food-producing animals	1 151 406	1 638 303	-	-
Total:	1 469 118	2 090 366	586 234	834 136
II. Receivables:				
1. Trade receivables	376 223	535 317	153 154	217 918
4. Other receivables	52 658	74 926	6 318	8 990
7. Prepaid expense	2 749	3 911	320 345	455 809
Total:	431 630	614 154	479 817	682 717
IV. Cash (Total)	53 768	76 505	11 135	15 844
Total current assets:	1 954 516	2 781 025	1 077 186	1 532 697
<u>Total assets</u>	<u>2 770 274</u>	<u>3 941 744</u>	<u>3 092 485</u>	<u>4 400 210</u>

BALANCE SHEET AS AT SEPTEMBER 30, 2010

	2010 30.09. LVL	2010 30.09. EUR	2009 30.09. LVL	2009 30.09. 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	189 117	269 089	(203 814)	(290 002)
Total :	1 441 187	2 050 624	2 026 759	2 883 818
Provisions:				
3.Other provisions	23 060	32 811	52 528	74 741
Total:	23 060	32 811	52 528	74741
Liabilities:				
Non-current liabilities:				
2. Loans from credit institutions	218 034	310 234		
3. Deferred taxation	-	-	33 277	47 349
4. Other loans	229 830	327 019	225 600	321 000
Total:	447 864	637 253	258 877	368 349
Current liabilities:				
3. Loans from credit institutions	-	-	344 187	489 734
4. Other loans	13 317	18 948		
5. Prepayments received	572 536	814 645	13 242	18 842
6. Trade payables	219 793	312 737	358 423	509 990
10.Taxes payable	41 112	58 497	16 980	24 160
11. Other liabilities	11 405	16 228	12 929	18 396
13. Accrued liabilities	-	-	8 560	12 180
Total:	858 163	1 221 056	754 321	1 073 302
Total liabilities:	1 306 027	1 858 309	1 013 198	1 441 651
<u>Total equity and liabilities</u>	<u>2 770 274</u>	<u>3 941 744</u>	<u>3 092 485</u>	<u>4 400 210</u>

 Daina Kalniņa
 Chairman of the Board

Dubēni, 12 November 2010

**STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD
 ENDED SEPTEMBER 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 1 January 2009	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)	(1 392 283)	(978 502)	(1 392 283)
Balance as at 31 December 2009	500 000	711 436	54 454	77 481	697 616	99 2618	1 252 070	1 781 535
Profit for the reporting period					189 117	269 089	189 117	269 089
Balance as at 30 September, 2010	500 000	711 436	54 454	77 481	886 733	1 261 707	1 441 187	2 050 624

Daina Kalniņa
 Chairman of the Board

Dubēni, 12 November 2010

CASH FLOW STATEMENT FOR THE PERIOD ENDED SEPTEMBER 30, 2010

	30.09.2010 LVL	30.09.2010 EUR	30.09.2009 LVL	30.09.2009 EUR
Cash flow to/from operating activities				
1. Net profit or loss before extraordinary items and taxes	189 117	269 089	(203 017)	(288 868)
<u>Adjustments for:</u>				
a) amortisation and depreciation	50 259	71 512	76 089	108 265
b) amortisation of intangible assets	82	117	115	164
c) fixed asset liquidation	-	-	31	44
d) gain/loss from fluctuations of currency exchange rates	(3 161)	(4 498)	(6 681)	(9 506)
e) grants received	-	-	-	-
f) interest income	(11 364)	(16 170)	(2)	(3)
g) interest expense	17 109	24 344	16 602	23 623
2. Operating profit or loss before working capital changes	242 042	344 394	(116 863)	(166 281)
a) Increase/ decrease in biological assets	31 849	45 317	(904 882)	(1 287 531)
b) Increase/ decrease in inventories	(32 472)	(46 203)	1 456 829	2 072 881
c) Increase/decrease in receivables	(410 132)	(583 565)	(460 127)	(654 702)
d) increase/decrease in payables	387 957	552 013	53 471	76 082
3. Cash generated from operations	219 244	311 956	28 428	40 449
4. Interest paid	(17 109)	(24 344)	(16 602)	(23 623)
5. Real estate tax paid			(797)	(1 134)
8. Net cash flow to/from operating activities	202 135	287 612	11 029	15 693
Cash flow to/from investing activities				
1. Purchase of fixed assets	(70 886)	(100 862)	(578)	(823)
3. Interest received	11 364	16 170	2	3
9. Net cash flow to/from investing activities	(59 522)	(84 692)	(576)	(820)
Cash flow to/from financing activities				
1. Loans received	-	-	437 048	621 863
2. Loans paid	(126 153)	(179 500)	(451 101)	(641 859)
3. Grants received	-	-	-	-
10. Net cash flow from financing activities	(126 153)	(179 500)	(14 053)	(19 996)
Effect of exchange rate fluctuations	3 161	4 498	6 681	9 506
Change in cash and cash equivalents	19 621	27 918	3 081	4 384
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	53 768	76 505	11 135	15 844

Daina Kalniņa
Chairman of the Board
Dubēni, 12 November 2010

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 September 30, 2010 and September 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 the 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 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.

	% 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 nine 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. 30.09.	2009. 30.09.
1 USD	0.517	0.480
1 EUR	0.702804	0.702804
1 DKK	0.0943	0.0944
1 LTL	0.204	0.204
1 RUB	0.017	0.0159

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 September 2010.

3. Earnings per share (EPS)

Net earnings per share is 0.378 LVL or 0.539 EUR as at 30 September 2010, net loss per share was 1.422 LVL or 2.023 EUR in 30 September 2009.

4. Average number of employees

Average number of personnel employed by the company was 86 persons in the nine-month period of 2010 (111 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.

2010 on a nine-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, 12 November 2010

Notes to the 9 Months 2010 Unaudited Financial Statements

Having assessed the methods approved in 2004 and taking into consideration the Council's recommendations made during approval of the 6 months 2010 Financial Statements, in September 2010 the changes were introduced in the accounting methods for fur animal maintenance expenses (feeding (forage), vaccination, labour and social security expenses, various material expenses, which are directly related to raising of fur animals and feeding of breeding animals).

In the interim (operative) financial statements the actual cost price of the fur animals being bred by the JSC "Grobiņa" is determined as at the day of drawing up the financial statements.

Upon comparison of the accounting according to the previously used methods for the fur animal accounting and the amended methods for the fur animal accounting, total assets and total liabilities of the book value do not change, as well as there is no impact on the Profit or Loss Statement. Changes occur in the reclassification of individual items of assets on the Balance Sheet: the Balance Sheet item "Deferred expenses" no longer accumulates changes in the value upon calculation of the actual cost price of the fur animals (breeding animals and puppies) in the interim (operative) financial statements. The changes in values are reflected in the respective item "Biological assets" or in the item „Stock” – „Productive animals”.

Daina Kalniņa
Chairman of the Board

Dubēni, 12 November 2010