

**Joint Stock Company**  
**GROBINA**

**Non- audited**  
**2008. year 9 months**  
**Financial report**

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### GENERAL INFORMATION

Company name	Joint-stock company "Grobiņa"
Legal form	Public join-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
Joint-stock company "Grobiņa" chairman of council	Jānis Siliņš
Joint-stock company "Grobiņa" councillors	Ojārs Petrēvics Jānis Briedis Genādijs Jefimovs Silvija Neimane
Joint-stock company "Grobiņa" chairman of board	Daina Kalniņa
Joint-stock company "Grobiņa" regents	Andris Vītoliņš Gunta Isajeva
Financial period	January 1, 2008 – September 30, 2008
Auditor	"Auditorfirma Grāmatvedības un revīzijas birojs" SIA Matīsa street 65-8, Riga, LV-1009, Latvia Liable certified auditor Aija Kurta Certificate No.128

## MANAGEMENT REPORT ABOUT 2008. YEAR 9 MONTHS RESULTS

Basic activity direction of joint-stock company "Grobiņa" is mink, silver fox breeding for furry extraction.

In year 2008 first 9 months net turnover is 2 167 415 LVL. Compared together with previous year first 9 months it has increase for 32%.

In year 2008 raised employee salaries, material and service costs that is a reason why gross profit in year 2008 first 9 months has decreased for 8% that it was in year 2007 first 9 months.

In joint stock company "Grobiņa" average staff amount in year 2008 first 9 months is 123 employees, average salary – 378.23 LVL. Average salary has increased for 12% compared together with year 2007 first 9 months.

In year 2008 first 9 months earnings per stock is 0,028 LVL or 0,040 EUR ; in year 2007 first 9 months – 0,118 LVL or 0,168 EUR.

In year 2008 is planed to import breeding animals from Denmark and Lithuania to renew basic herd.

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Daina Kalniņa  
Chairman of board

Dubēni, November 27, 2008

**PROFIT OF LOSS STATEMENT ABOUT 2008. YEAR 9 MONTHS**

	2008 9 months LVL	2008 9 months EUR	2007 9 months LVL	2007 9 months EUR
1. Net turnover	2167415	3083954	1643716	2338797
2. Cost of sales	(1937415)	(2756693)	(1392697)	(1981629)
3. <b>Gross profit</b>	<b>230000</b>	<b>327261</b>	<b>251019</b>	<b>357168</b>
4. Sales distribution costs	(112234)	(159695)	(79469)	(113074)
5. Administration costs	(87444)	(124422)	(91770)	(130577)
6. Other operating income	21264	30256	2402	3418
7. Other operating expenses	(11449)	(16290)	-	-
10. Other interest receivable and similar income	40	57	6	9
12. Interest payable and similar expenses	(25323)	(36031)	(22160)	(31531)
16. <b>Profit before tax</b>	<b>14854</b>	<b>21135</b>	<b>60028</b>	<b>85412</b>
17. Tax on profit for financial period	-	-	-	-
18. Other Taxes	(765)	(1088)	(916)	(1303)
19. <b>Profit for the financial period</b>	<b>14089</b>	<b>20047</b>	<b>59112</b>	<b>84109</b>
20. <b>Earnings per stock</b>	<b>0.028</b>	<b>0.040</b>	<b>0.118</b>	<b>0.168</b>

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Chairman of board

Dubēni, November 27, 2008

**BALANCE ON SEPTEMBER 30, 2008**

	<b>2008</b>	<b>2008</b>	<b>2007</b>	<b>2007</b>
	<b>30.09.</b>	<b>30.09.</b>	<b>30.09.</b>	<b>30.09.</b>
	<b>LVL</b>	<b>EUR</b>	<b>LVL</b>	<b>EUR</b>
<b><u>Assets</u></b>				
<b>Long – term investments</b>				
<b>I. Intangible investments</b>				
2. Concessions, patents, licenses, trade-marks and similar rights	326	464	477	679
<b>Intangible investments totally:</b>	<b>326</b>	<b>464</b>	<b>477</b>	<b>679</b>
<b>II. Fixed assets:</b>				
1. Lands, buildings, constructions and perennial plantations	453685	645536	394082	560728
3. Technological equipments and machines	143721	204497	192962	274560
4. Other fixed assets and inventory	87006	123798	112288	159771
5. Forming of fixed assets and costs of unfinished objects of construction	12579	17898	90930	129382
6. Advance payments for fixed assets	13761	19580	13761	19580
<b>Fixed assets totally:</b>	<b>710752</b>	<b>1011309</b>	<b>804023</b>	<b>1144022</b>
<b>IV. Biological assets</b>	<b>936307</b>	<b>1332245</b>	<b>1820883</b>	<b>2590883</b>
<b>V Long-term financial investments</b>				
5. Other securities and investments	352	501	352	501
7. Own stocks and shares	2500	3557	2500	3557
<b>Long term financial investments totally:</b>	<b>2852</b>	<b>4058</b>	<b>2852</b>	<b>4058</b>
<b>Long-term investments totally:</b>	<b>1650237</b>	<b>2348076</b>	<b>2628235</b>	<b>3739641</b>
<b>Current assets</b>				
<b>I. Stocks:</b>				
1. Row materials, direct materials and auxiliary materials	53499	76122	46143	65656
3. Complete products and goods for sale	338358	481440	166234	236530
5. Advance payments for goods	5196	7393	4561	6490
<b>Stocks totally:</b>	<b>397053</b>	<b>564956</b>	<b>216938</b>	<b>308675</b>
<b>II. Debtors:</b>				
1. Costumers and clients debts	439935	625971	35230	50128
4. Other debts	18277	26006	25944	36915
7. Expenses of next period	707261	1006342	641	912
<b>Debtors totally:</b>	<b>1165473</b>	<b>1658319</b>	<b>61815</b>	<b>87955</b>
<b>V. Cash assets</b>	<b>4446</b>	<b>6326</b>	<b>249566</b>	<b>355100</b>
<b>Current assets totally:</b>	<b>1566972</b>	<b>2229600</b>	<b>528319</b>	<b>751730</b>
<b><u>Assets totally</u></b>	<b>3217209</b>	<b>4577676</b>	<b>3156554</b>	<b>4491372</b>

**BALANCE ON SEPTEMBER 30, 2008**

	<b>2008</b>	<b>2008</b>	<b>2007</b>	<b>2007</b>
	<b>30.09.</b>	<b>30.09.</b>	<b>30.09.</b>	<b>30.09.</b>
	<b>LVL</b>	<b>EUR</b>	<b>LVL</b>	<b>EUR</b>
<b><u>Liabilities</u></b>				
<b>Equity capital:</b>				
1. Stock or share capital	500000	711436	500000	711436
5. Reserves				
c) Reserves prescribed by enterprise	54454	77481	54454	77481
6. Retained profit				
a) Retained profit for previous year	1667334	2372403	1617130	2300969
b) Retained profit for the year	14089	20047	59112	84109
accountant				
<b>Equity capital totally:</b>	<b>2235877</b>	<b>3181366</b>	<b>2230696</b>	<b>3173994</b>
<b>Stockpiles:</b>				
3. Other stockpiles	55080	78372	38933	55397
<b>Stockpiles totally:</b>	<b>55080</b>	<b>78372</b>	<b>38933</b>	<b>55397</b>
<b>Creditors:</b>				
<b>Long-term debts:</b>				
3. Suspended tax liabilities	36710	52234	39554	56280
4. Other borrowings	228420	325012	233590	332369
12. Deferred income	-	-	3159	4495
<b>Long-term debts totally:</b>	<b>265130</b>	<b>377246</b>	<b>276303</b>	<b>393144</b>
<b>Short-term debts:</b>				
3. Borrowings from credit institution	331477	471649	346275	492705
5. Costumers advanced payments	824	1172	842	1198
6. Debts to suppliers and contractors	272030	387064	198072	281831
10. Tax and social security payments	23122	32900	30285	43092
11. Other creditors	26412	37581	31990	45518
12. Deferred income	3159	4495	3158	4493
13. Suspended liabilities	4098	5831	-	-
<b>Short-term debts totally:</b>	<b>661122</b>	<b>940692</b>	<b>610622</b>	<b>868837</b>
<b>Creditors totally:</b>	<b>926252</b>	<b>1317938</b>	<b>886925</b>	<b>1261981</b>
<b><u>Liabilities totally</u></b>	<b>3217209</b>	<b>4577676</b>	<b>3156554</b>	<b>4491372</b>

Daina Kalniņa  
Chairman of board

Dubēni, November 27, 2008

## STATEMENT OF CHANGES IN EQUITY IN 2008. YEAR 9 MONTHS

	Equity capital	Equity capital	Reserves prescribed by enterprise	Reserves prescribed by enterprise	Retained profit	Retained profit	Totally	Totally
	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
<b>January 1, 2007</b>	<b>500000</b>		<b>54454</b>		<b>1617130</b>		<b>2171584</b>	
		<b>711436</b>		<b>77481</b>		<b>2300969</b>		<b>3089886</b>
Profit for the financial period					50204		50204	
						71434		71434
<b>December 31, 2007</b>	<b>500000</b>		<b>54454</b>		<b>1667334</b>		<b>2221788</b>	
		<b>711436</b>		<b>77481</b>		<b>2372403</b>		<b>3161320</b>
Profit for the financial period						20047		20047
					14089		14089	
<b>September 30, 2008</b>	<b>500000</b>			<b>77481</b>		<b>2392450</b>		<b>3181366</b>
		<b>711436</b>	<b>54454</b>		<b>1681423</b>		<b>2235877</b>	

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## CASH FLOW STATEMENT ABOUT 2008. YEAR 9 MONTHS

	2008 9 months LVL	2008 9 months EUR	2007 9 months LVL	2007 9 months EUR
<b>Business activities cash flow</b>				
<b>1. Profit or loss before tax</b>	<b>14854</b>	<b>21135</b>	<b>60028</b>	<b>85412</b>
<u>Corrections:</u>				
a) wear of fixed assets	74436	105913	81335	115729
b) amortization of immaterial investment assets	110	157	124	176
c) liquidation of fixed assets			8	11
d) profit of loss from foreign currency exchange rate fluctuation	11239	15992	(2401)	(3416)
e) received donations	(20330)	(28927)	-	-
f) other percentage income and other income	(40)	(57)	(6)	(9)
g) percentage payments	25323	36031	22160	31531
<b>2. Profit of loss before current assets and short-term liabilities residue correction influence</b>	<b>105592</b>	<b>150244</b>	<b>161248</b>	<b>229435</b>
a) Biological asset (increase)/ decrease	(378607)	(538709)	(1324292)	(1884298)
b) Stock residue (increase)/ decrease	1672203	2379331	1281640	1823609
c) Debtors debt residue (increase)/ decrease	(1141908)	(1624789)	32694	46519
d) To suppliers, contractors and other creditors payable debt residue increase/ (decrease)	(373082)	(530848)	(425313)	(605166)
<b>3. Gross basic activities cash flow</b>	<b>(115802)</b>	<b>(164771)</b>	<b>(274023)</b>	<b>(389900)</b>
4. Expenses for percentage payments	(25323)	(36031)	(22160)	(31531)
5. Realty tax costs	(765)	(1088)	(916)	(1303)
<b>8. Basic activity net cash flow</b>	<b>(141890)</b>	<b>(201891)</b>	<b>(297099)</b>	<b>(422734)</b>
<b>Investments action cash flow</b>				
1. Fixed assets and intangible investments purchase	(362)	(515)	(121177)	(172419)
3. Percentage benefit	40	57	6	9
<b>9. Investments activity net cash flow</b>	<b>(322)</b>	<b>(458)</b>	<b>(121171)</b>	<b>(172411)</b>
<b>Financing activity cash flow</b>				
1. Received borrowings	738283	1050482	206417	293705
2. Costs about credit repayment	(758696)	(1079527)	(18330)	(26081)
3. Donations	20330	28927	-	-
<b>10. Financing activity net cash flow</b>	<b>(83)</b>	<b>(118)</b>	<b>188087</b>	<b>267624</b>
<b>Foreign currency exchange rate fluctuation result</b>	<b>(11239)</b>	<b>(15992)</b>	<b>2401</b>	<b>3416</b>
<b>Financial period net cash flow</b>	<b>(153534)</b>	<b>(218459)</b>	<b>(227782)</b>	<b>(324105)</b>
<b>Cash and its equivalents residue in the beginning of financial period</b>	<b>157980</b>	<b>224785</b>	<b>477348</b>	<b>679205</b>
<b>Cash and its equivalents residue in the end of financial period</b>	<b>4446</b>	<b>6326</b>	<b>249566</b>	<b>355100</b>

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## ATTACHMENT

### 1. Accountancy politics

#### 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.

In balance, profit or loss statement, equity statement and cash flow statement as compared sum showed apropos sum on September 30, 2007 and about January- September 2007.

#### 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.

#### Intangible investments and fixed assets

In intangible investments was showed value of computer program licences, 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%

#### Biological assets

Fur animals is acknowledge in composition of biological assets.

#### 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.

### 1.5. 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.

### 1.6. 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.

### 1.7. Stockpiles of unused vacation

Vacation stockpiles is calculated as joint accumulation for all staff, considering each employee average day payment and stockpiles of vacation in the end of financial period.

### 1.8. Endowment

Received endowment for purchasing fixed assets is enumerated as next period income which includes step by step in income about endowments in period of useful operating with fixed assets.

## 2. 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. 30.09.	2007. 30.09.
1 USD	0.486	0.497
1 EUR	0.702804	0.702804
1 DKK	0.0942	0.0943
1 LTL	0.204	0.204
1 RUB	0.0194	0.0199

Financial report positions converted in EUR according to currency exchange of The Bank of Latvia on September 30, 2008 : 1 LVL = 0,702804 EUR and it serves only function of information.

## 3. Earnings per stock

In year 2008 first 9 months earnings per stock is 0,028 LVL or 0,040 EUR ; in year 2007 first 9 months – 0,118 LVL or 0,168 EUR.

## 4. Average staff amount

In year 2008 first 9 months – 123 ; in year 2007 first 9 months – 130.

## MANAGERIAL LIABILITY STATEMENT

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

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

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Daina Kalniņa  
Chairman of board

Dubēni, November 27, 2008