

JSC GROBINA

Lapsu Street 3, Dubeni, Grobina district,
Liepaja region, LV-3438
Unified registration number: 40003017297

Annual report 2004

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	Andris Upenieks
Joint-stock company "Grobiņa" councillors	Jānis Siliņš Agris Nagliņš Ojārs Petrēvics Jānis Briedis
Joint-stock company "Grobiņa" chairman of board	Laimonis Laugalis
Joint-stock company "Grobiņa" regents	Anatolijs Gorbunovs Gunta Isajeva
Financial period	January 1, 2004 – December 31, 2004
Auditor	"Auditorfirma Grāmatvedības un revīzijas birojs" SIA Inženieru street 99-48, Ventspils, LV-3601, Latvia Certified auditor Aija Kurta Certificate No. 128

MANAGEMENT REPORT

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

In year 2004 puppy extractive showings was in previous year level, from one mink mother has been raised 4,9 puppy, from one polar fox mother raised 6,5 puppy and from one silver fox mother raised 4,4 puppy. Increasing puppy level in year 2004 has been low- from those who born 4,6 mink puppy, 0,2 polar fox puppy, 0,1 silver fox puppy felled. To increase animal productivity, fur quality and new variety, in year 2004 has been purchase mink breeding animal for 29,8 thousand LVL.

In year 2004 net turnover has been 1 485,9 thousand LVL, compeering with previous year net turnover has grown about 29,4%. It is fetter to successful sales in Finland and Denmark auction houses. Joint-stock company "Grobiņa" lost part- 92,5 % from furs has exported. Most export quantity goes to Russia, Finland and Denmark.

In year 2004 there has made investments for 159,8 thousands LVL in production equipment and buildings. In skin department renovation has been finished, some renovation made in aqueduct in fur farm. Purchase new feeding machine, freight car. Most investments have been made to finish technology change in skin department according to requirements made by Scandinavian market.

In February all payments about land redemption has finished according to payment graphics with state joint-stock company "Privatizācijas aģentūra" and in land ledger fortify ownership on joint-stock company "Grobiņa" production department land.

Join-stock company "Grobiņa" without any delays always pay taxes, salary and other payments. In year 2004 average salary has increase for 30,2% and it is 193,18 LVL. In taxes has paid 145,7 thousands LVL.

In year 2005 is planned to continue to modernize techniques and machines. Renovation in food department will be finished according to European Union requirements. We plan to make renovation in realisation department.

In January 2005 in storm 5 fur animal shed has been break down, it damaged 1890 fur animal locality where has been placed 847 mink. To restore fur animal shed and restore scale of production there is need to bay breed animal for 127 thousands LVL.

For investments in production equipment, buildings and machinery we plan to spend 120,9 thousand LVL.

In year 2005 planed to renew breed animal herd and it costs 38 thousand LVL.

In next financial year we plan that realization earnings is going to be 1,5 million LVL.

Board and council of joint-stock company "Grobiņa" recommend not sharing year 2004 profit to developing and modernisation of production.

Andris Upenieks
Chairman of council

Laimonis Laugalis
Chairman of board

Dubeni, 21 March 2005

PROFIT OR LOSS STATEMENT

PERIOD 2004

	2004 LVL	2004 EUR	2003 LVL	2003 EUR
1. Net turnover	1485896	2113650	1148076	1633110
2. Cost of sales	(1080780)	(1537383)	(907107)	(1290337)
3. Gross profit	405116	576267	240969	342773
4. Sales distribution costs	(49977)	(71091)	(24676)	(35101)
5. Administration costs	(88998)	(126597)	(79071)	(112477)
6. Other operating income	19166	27263	36583	52038
7. Other operating expenses	(38711)	(55065)	(27572)	(39220)
10. Other interest receivable and similar income	132	188	-	-
12. Interest payable and similar expenses	(4020)	(5718)	(5056)	(7192)
16. Profit before tax	242708	345247	141177	200821
17. Tax on profit for financial period	-	-	-	-
18. Other taxes	(125)	(178)	(104)	(148)
19. Profit for the financial period	242583	345069	141073	200673

Andris Upenieks
Chairman of council

Laimonis Laugalis
Chairman of board

Dubeni, 21 March 2005.

BALANCE ON 31 DECEMBER, 2004

	2004 LVL	2004 EUR	2003 LVL	2003 EUR
<u>Assets</u>				
Long – term investments				
I. Intangible investments				
2. Concessions, patents, licences, trade-marks and similar rights	841	1196	1196	1701
Intangible investments totally:	841	1196	1196	1701
II. Fixed assets:				
1. Lands, buildings, constructions and perennial plantations	217920	309986	141452	201212
3. Technological equipments and machines	271197	385771	195655	278315
4. Other fixed assets and inventory	67487	95999	36424	51812
5. Forming of fixed assets and costs of unfinished objects of construction	12579	17893	12579	17893
6. Advance payments for fixed assets	5956	8472	80858	115018
Fixed assets totally:	575139	818121	466968	664250
III. Long-term financial investments				
5. Other securities and investments	352	501	286	407
Long term financial investments totally:	352	501	286	407
Long-term investments totally:	576332	819818	468450	666358
Current assets				
I. Stocks:				
1. Row materials, direct materials and auxiliary materials	111055	157973	67682	96276
3. Complete products and goods for sale	842782	1198836	818235	1163919
5. Advance payments for goods	-	-	13474	19166
6. Work animals and productive animals	320774	456293	198444	282282
Stocks totally:	1274611	1813102	1097835	1561643
II. Debtors:				
1. Costumers and clients debts	15005	21344	45502	64726
4. Other debts	76926	109425	34903	49649
7. Accrued income	6076	8644	6942	9875
Debtors totally:	98007	139413	87347	124250
IV. Cash assets	73425	104445	25008	35573
Current assets totally:	1446043	2056960	1210190	1721466
Assets totally	2022375	2876778	1678640	2387824

BALANCE ON 31 DECEMBER, 2004

	2004 LVL	2004 EUR	2003 LVL	2003 EUR
<u>Liabilities</u>				
Equity capital:				
1. Stock or share capital	500000	711238	500000	711238
5. Reserves				
c) Reserves prescribed by enterprise	54454	77459	47400	67425
6. Retained profit				
a) Retained profit for previous year	951627	1353666	817608	1163027
b) Retained profit for he year accountant	242583	345068	141073	200673
Equity capital totally:	1748664	2487431	1506081	2142363
Stockpiles:				
3. Other stockpiles	12958	18432	-	-
Stockpiles totally:	12958	18432	-	-
Creditors:				
Long-term debts:				
3. Bank borrowings	-	-	8002	11383
12. Deferred income	18800	26743	18651	26531
Long-term debts totally:	18800	26743	26653	37914
Short-term debts:				
3. Bank borrowings	-	-	7174	10205
5. Costumers advanced payments	84337	119967	1082	1539
6. Debts to suppliers and contractors	98744	140461	93395	132852
10. Tax and social security payments	20559	29245	17221	24496
11. Other creditors	20720	29474	17708	25189
12. Deferred income	12484	17758	9326	13266
15. Accrued liabilities	5109	7267	-	-
Short-term debts totally:	241953	344172	145906	207547
Creditors totally:	260753	370915	172559	245491
Liabilities totally	2022375	2876778	1678640	2387824

Andris Upenieks
Chairman of council

Laimonis Laugalis
Chairman of board

Dubeni, 21 March 2005.

STATEMENT OF CHANGES IN EQUITY 2004

	Equity capital	Equity capital	Reserves pres cribed by enterp rise	Reserves pres cribed by enterp rise	Retained profit	Retained profit	Totally	Totally
	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
January 1, 2003		711238		62094		1168358		1941690
	500000		43652		821356		1365008	
Profit for the financial period					141073	200673	141073	200673
Reserves prescribed by enterprise increase- 5% from year 2002 profit			3748	5331	(3748)	(5331)		
December 31, 2003		711238		67425		1363700		2142363
	500000		47400		958681		1506081	
Profit for the financial period					242583	345068	242583	345068
Reserves prescribed by enterprise increase- 5% from year 2003 profit			7054	10034	(7054)	(10034)		
December 31, 2004		711238		77459		1698734		2487431
	500000		54454		1194210		1748664	

Andris Upenieks
Chairman of council

Laimonis Laugalis
Chairman of board

Dubeni, 21 March 2005.

CASH FLOW STATEMENT 2004

	2004 LVL	2004 EUR	2003 LVL	2003 EUR
Business activities cash flow				
1. Profit or loss before tax	242708	345247	141177	200821
<u>Corrections:</u>				
a) wear of fixed assets	51561	73343	28966	41204
b) amortization of immaterial investment assets	444	631	431	613
c) elimination of fixed assets	-	-	758	1078
d) formation of accumulations	12958	18432	-	-
e) profit of loss from foreign currency exchange rate fluctuation	22101	31438	3199	4550
f) other tax income and other income	(132)	(188)	(3)	(4)
2. Profit of loss before current assets and short-term liabilities residue correction influence	329640	468903	174528	248262
a) Stock residue (increase)/ decrease	(176776)	(251459)	29339	41734
b) Debtors debt residue (increase)/ decrease	(10660)	(15163)	(12052)	(17144)
c) To suppliers, contractors and other creditors payable debt residue (increase)/ decrease	103370	147042	50188	71391
3. Gross basic activities money flow	245574	349323	242003	344243
5. Realty tax costs	(125)	(178)	(104)	(148)
8. Basic activity net cash flow	245449	349145	241899	344095
Investments action cash flow				
1. Company stock or share purchase.	(66)	(94)	-	-
2. Fixed assets and intangible investments purchase	(159821)	(227341)	(159309)	(226613)
3. Percentage benefit	132	188	3	4
9. Investments activity net cash flow	(159755)	(227247)	(159306)	(226609)
Financing activity cash flow				
1. Received borrowings	250474	356293	713068	1014321
2. Costs about credit repayment	(265650)	(377881)	(780702)	(1110529)
10. Financing activities net cash flow	(15176)	(21588)	(67634)	(96208)
Foreign currency exchange rate fluctuation result	(22101)	(31438)	(3199)	(4550)
Financial period net cash flow	48417	68872	11760	16728
Cash and its equivalents residue in the beginning of financial period	25008	35573	13248	18845
Cash and its equivalents residue in the end of financial period	73425	104445	25008	35573

Andris Upenieks
Chairman of council

Laimonis Laugalis
Chairman of board

Dubeni, 21 March 2005.

Translation into English

AUDITORS' REPORT

To the shareholders of the "Grobiņa" JSC

We have audited the accompanying financial statements of the joint-stock company "Grobiņa" for the year 2004 set out on pages 5 to 17. The audited financial statements of the joint-stock company "Grobiņa" comprise the balance sheet as of 31 December 2004, the statement of profit and loss, the statement of changes in equity, the cash flow statement and the notes. These financial statements are the responsibility of the management of the joint-stock company "Grobiņa". Our responsibility is to express an opinion on the company's financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing issued by the International Federation of Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the above -mentioned financial statements give a true and fair view of the financial position of the joint-stock company "Grobiņa" as at 31 December 2004 and of the results of its operations and its cash flows for the year 2004. The company's financial statements comply with the provisions of the law of the Latvian Republic "On Company's Annual Reports".

We have acquainted ourselves with the management report for the year 2004 as set out on page 4 of the accompanying financial statements. We haven't established any material misstatements between the financial information reflected in the management report and the financial statements for the year 2004.



Aija Kurta
Certified auditor
Certificate No. 128

Riga,
11 April, 2005