

Joint Stock Company
GROBINA

2005 Annual report

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GENERAL INFORMATION

Company name	Joint-stock company "Grobiņa"
Legal form	Public joint-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, 2005 – December 31, 2005
Auditor	"Auditorfirma Grāmatvedības un revīzijas birojs" SIA Matīsa street 65-8, Rīga, LV-1009, 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 2005 puppy indicator was in previous year level- from one mother was breed 4,3 mink puppies and 4,2 fox puppies from one mother. To raise fur animal productivity, to improve skin quality and initiate new breed in year 2005 breeding animals was bought in for 26,8 thousands LVL.

Net turnover in year 2005 was 1,33 million LVL. In compared to last year it has decrease for 10%. It is the result of interpellation decrease in Scandinavian auction houses.

In year 2005 there was made 177,6 thousands LVL investments in production machine and buildings. Repair in skin department was finished. Other repair work made in farm water supply and kitchen roof. New food machinery, food crushers and skin manufacturing machinery were purchase. Most investments – 120 thousands LVL- utilized in new fur animal house building.

In JSC "Grobina" in year 2005 the average staff amount was 127 employees.

Joint stock company "Grobiņa" regularly and without obstruction has paid all taxes, salaries and other payments. In year 2005 average earnings has grow for 17% and was 225,80 LVL. In taxes paid 180 thousands LVL.

In 2005 net earnings per stock are 0,274 LVL or 0,390 EUR; in 2004 – 0,485 LVL or 0,690 EUR

In year 2006 there is a plan to continue to renew breeding animals, that will cost about 48 thousands LVL.

Investments in production machine, buildings and machinery planed to spend 155,8 thousands LVL.

In next financial period plan to have 1,5 million LVL sales proceed.

Join stock company "Grobina" board recommends year 2005 profit leave undivided for manufacture development and modernisation.

Laimonis Laugalis
Chairman of board

Anatolijs Gorbunovs
Regent

Gunta Isajeva
Regent

Dubeni, 30 March 2006

PROFIT OR LOSS STATEMENT IN 2005

	2005 LVL	2005 EUR	2004 LVL	2004 EUR
1. Net turnover	1333996	1898105	1485896	2114240
2. Cost of sales	(1010020)	(1437129)	(1080780)	(1537811)
3. Gross profit	323976	460976	405116	576428
4. Sales distribution costs	(55635)	(79161)	(49977)	(71111)
5. Administration costs	(94332)	(134222)	(88998)	(126633)
6. Other operating income	43395	61746	19166	27271
7. Other operating expenses	(40435)	(57534)	(38711)	(55081)
10. Other interest receivable and similar income	755	1074	132	188
12. Interest payable and similar expenses	(6122)	(8711)	(4020)	(5720)
16. Profit before tax	171602	244168	242708	345342
17. Tax on profit for financial period	(16197)	(23046)	-	-
18. Suspended enterprise income tax	(18226)	(25933)	-	-
19. Other Taxes	(125)	(178)	(125)	(178)
20. Profit for the financial period	137054	195010	242583	345165

Laimonis Laugalis
Chairman of board

Anatolijs Gorbunovs
Regent

Gunta Isajeva
Regent

Dubeni, 30 March 2006

BALANCE ON 31 DECEMBER, 2005

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	2005 LVL	2005 EUR	2004 LVL	2004 EUR
<u>Assets</u>				
Long – term investments				
I. Intangible investments				
2. Concessions, patents, licences, trade-marks and similar rights	764	1087	841	1197
Intangible investments totally:	764	1087	841	1197
II. Fixed assets:				
1. Lands, buildings, constructions and perennial plantations	325897	463710	217920	310072
3. Technological equipments and machines	266827	379661	271197	385879
4. Other fixed assets and inventory	53478	76092	67487	96025
5. Forming of fixed assets and costs of unfinished objects of construction	19897	28311	12579	17898
6. Advance payments for fixed assets	9566	13611	5956	8475
Fixed assets totally:	675665	961385	575139	818349
III. Long-term financial investments				
5. Other securities and investments	352	501	352	501
Long term financial investments totally:	352	501	352	501
Long-term investments totally:	676781	962973	576332	820047
Current assets				
I. Stocks:				
1. Raw materials, direct materials and auxiliary materials	74429	105903	111055	158017
3. Complete products and goods for sale	1075898	1530865	842782	1199171
5. Advance payments for goods	64	91		
6. Work animals and productive animals	406899	578965	320774	456420
Stocks totally:	1557290	2215824	1274611	1813608
II. Debtors:				
1. Costumers and clients debts	56029	79722	15005	21350
4. Other debts	47229	67201	76926	109456
7. Expenses of next period	1498	2131	6076	8645
Debtors totally:	104756	149054	98007	139451
IV. Cash assets	123712	176026	73425	104474
Current assets totally:	1785758	2540905	1446043	2057534
<u>Assets totally</u>	2462539	3503877	2022375	2877580

BALANCE ON 31 DECEMBER, 2005

	2005 LVL	2005 EUR	2004 LVL	2004 EUR
<u>Liabilities</u>				
Equity capital:				
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	1194210	1699208	951627	1354043
b) Retained profit for the year accountant	137054	195010	242583	345165
Equity capital totally:	1885718	2683135	1748664	2488125
Stockpiles:				
2. Reserve for prospective taxes	18226	25933		
3. Other stockpiles	24540	34917	12958	18438
Stockpiles totally:	42766	60850	12958	18438
Creditors:				
Long-term debts:				
4. Other borrowings	278710	396569	-	-
12. Deferred income	6317	8988	18800	26750
Long-term debts totally:	285027	405557	18800	26750
Short-term debts:				
3. Bank borrowings	54271	77221	-	-
5. Costumers advanced payments	30614	43560	84337	120001
6. Debts to suppliers and contractors	91409	130063	98744	140500
10. Tax and social security payments	35372	50330	20559	29253
11. Other creditors	19633	27935	20720	29482
12. Deferred income	12483	17762	12484	17763
15. Accrued liabilities	5246	7464	5109	7269
Short-term debts totally:	249028	354335	241953	344268
Creditors totally:	534055	759892	260753	371018
Liabilities totally	2462539	3503877	2022375	2877580

Laimonis Laugalis
Chairman of board

Anatolijs Gorbunovs
Regent

Gunta Isajeva
Regent

Dubeni, 30 March 2006

STATEMENT OF CHANGES IN EQUITY 2005

	Equity capital	Equity capital	Reserve s prescrib ed by enterpri se	Reserv es prescri bed by enterpr ise	Retained profit	Retained profit	Totally	Totally
	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
January 1, 2004		711436		67444		1364080		2142960
	500000		47400		958681		1506081	
Profit for the financial period					242583	345165	242583	345165
Reserves prescribed by enterprise increase- 5% from year 2003 profit			7054	10037	(7054)	(10037)		
December 31, 2004		711436		77481		1699208		2488125
	500000		54454		1194210		1748664	
Profit for the financial period						195010	137054	195010
					137054			
December 31, 2005		711436		77481		1894218		2683135
	500000		54454		1331264		1885718	

Laimonis Laugalis
Chairman of board

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Regent

Gunta Isajeva
Regent

Dubeni, 30 March 2006

CASH FLOW STATEMENT 2005

	2005 LVL	2005 EUR	2004 LVL	2004 EUR
Business activities cash flow				
1. Profit or loss before tax	171602	244168	242708	345342
Corrections:				
a) wear of fixed assets	76573	108954	51561	73365
b) amortization of immaterial investment assets	517	736	444	632
c) formation of accumulations	11582	16480	12958	18438
d) profit of loss from foreign currency exchange rate fluctuation	24307	34586	22101	31447
e) received subsidies endowments, grants and donation	(31697)	(45101)	(9758)	(13884)
f) other tax income and other income	(755)	(1074)	(132)	(188)
g) percentage payments	6122	8711	4020	5720
h) donations	1200	1707	3000	4269
2. Profit of loss before current assets and short-term liabilities residue correction influence	259451	369166	326902	465140
a) Stock residue (increase)/ decrease	(282679)	(402216)	(176776)	(251530)
b) Debtors debt residue (increase)/ decrease	(6749)	(9603)	(10660)	(15168)
c) To suppliers, contractors and other creditors payable debt residue increase/ (decrease)	(59679)	(84916)	103370	147082
3. Bruto pamatdarbības naudas plūsma	(89656)	(127569)	242836	360692
4. expenses for percentage payments	(6122)	(8711)	(4020)	(5720)
5. expenses for enterprise income tax	(16197)	(23046)	-	-
6. Realty tax costs	(125)	(178)	(125)	(178)
8. Basic activity net cash flow	(112100)	(159504)	238691	354795
Investments action cash flow				
1. Company stock or share purchase			(66)	(94)
2. Fixed assets and intangible investments purchase	(177539)	(252615)	(159821)	(227405)
3. Percentage benefit	755	1074	132	188
9. Investments activity net cash flow	(176784)	(251541)	(159755)	(227311)
Financing activity cash flow				
1. Received borrowings	590418	840089	250474	356392
2. Received subsidies endowments, grants and donation	31697	45101	9758	13884
3. Costs about credit repayment	(257437)	(366300)	(265650)	(377986)
4. Expenses for donations	(1200)	(1707)	(3000)	(4269)
10. Financing activity net cash flow	363478	517183	(8418)	(11978)
Foreign currency exchange rate fluctuation result	(24307)	(34586)	(22101)	(31447)
Financial period net cash flow	50287	71552	48417	68891
Cash and its equivalents residue in the beginning of financial period	73425	104474	25008	35583

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**Cash and its equivalents residue in the end of
financial period**

123712	176026	73425	104474
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Laimonis Laugalis
Chairman of board

Anatolijs Gorbunovs
Regent

Gunta Isajeva
Regent

Dubeni, 30 March 2006

ATTACHMENT

1. Accountancy politics

1.1. 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.

1.2. 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.

1.3. 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.

1.4. 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. Taxes

The enterprise income tax is included in annual report based on calculations made by managment according to legislation of Latvian Republic.

Susspended tax is calculated beyond bond method pertaining to all temporary differences between assets and coherence value in annual reports and it tax calculation mark values. Temporary differences mainly ensue imposing distinctive abrasion rate of fixed assets in

requirement of financial and tax accounting, also from stockpiles of unused vacation. Haphazard when suspended tax calculation results should be reflexed in balance assets, it is incorporated annual report only in cases when it is expect to get it back.

According to managment opinion that suspended tax has approximative calculation nature and according to accountancy politics used before, taking into account law "About enterprise annual reports" permissible indention from several standarts of law, so annual report can give clear and actual prefiguration about enterprise finances and liabilities, suspended tax is reflexed in accumulation content.

1.8. Endowment

Received endowment for purchasing fixed assets is enumerate 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 of loss is showed in respectively profit or loss statement.

	2005 LVL	2004 LVL
1 USD	0,593	0,516
1 EUR	0,702804	0,703
1 DKK	0,0942	0,0944
1 LTL	0,204	0,203
1 RUB	0,0206	0,0186

Financial report positions converted in EUR according to currency exchange of The Bank of Latvia on December 31, 2005: 1LVL = 0,702804 EUR and it serves only function of information.

3. Coefficient "earnings per stock" (EPS)

In 2005 net earnings per stock is 0,274 LVL aor 0,390 EUR; in 2004 – 0,485 LVL or 0,690 EUR.

4. Average staff amount in 2005 – 127; 2004 – 125 employers.

Auditorfirma Grāmatvedības un revīzijas birojs

Reģ.numurs 120201509 Nodokļu maksātāja kods 41202015093
Inženieru ielā 99-48, Ventspils LV-3601
Tālrunis 9244328

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 2005 set out on pages 5 to 16. The audited financial statements of the joint-stock company "Grobiņa" comprise the balance sheet as of 31 December 2005, 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 2005 and of the results of its operations and its cash flows for the year 2005. 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 2005 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 2005.



Aija Kurta
Certified auditor
Certificate No. 128

Rīga,
20 April, 2006