

Joint stock company

GROBINA

Non- audited

2005. First half- year

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	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 – June 30, 2005
Auditor	"Auditorfirma Grāmatvedības un revīzijas birojs" SIA Inženieru street 99-48, Ventspils, LV-3601, Latvia Certified auditor Aija Kurta Certificate No. 128

MANAGEMENT REPORT ABOUT FIRST HALF- YEAR OF 2005

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

2005. first half- year net turnover is 666,7 thousand LVL, comparing to 2004. first half- year, it has decreased for 27,8%. JSC "Grobiņa" has exported 91% furry. Most export amount was to Denmark and Finland. In the beginning of this year Scandinavian fur action houses has decreased request for furry, this is the reason why previous year sale amount was not reached.

In first half- year great resources were needed to liquidate storm havoc in January- to rebuild fur animal houses there was invested 88,6 thousand LVL. New alimentary machine and food crasher was been purchase. Totally 134,7 thousand LVL has spent on fixed assets purchase and rebuilding.

Average staff amount in 2005.first half- year was 125 employee, average earnings- 194,86 LVL.83,4 thousand LVL was payed in taxes.

Net profit on one stock in first half- year is 0,033 LVL.

This year there is a plan to improve technologies in skin department.

In farm and kitchen will be commenced project to improve all according to European Union demands. This project is planed to realize in 2006 till 2007.

Laimonis Laugalis
Chairman of board

Dubēņi, August 23, 2005

PROFIT OR LOSS STATEMENT IN FIRST HALF- YEAR OF 2005

	2005 first half- year LVL	2005 first half- year EUR	2004 first half- year LVL	2004 first half- year EUR
1. Net turnover	666672	948589	922926	1313205
2. Cost of sales	(558715)	(794980)	(623022)	(886480)
3. Gross profit	107957	153609	299904	426725
4. Sales distribution costs	(30885)	(43945)	(29504)	(41980)
5. Administration costs	(47096)	(67012)	(44677)	(63570)
6. Other operating income	1131	1609	29902	42547
7. Other operating expenses	(11750)	(16719)	(18276)	(26004)
10. Other interest receivable and similar income	739	1052	-	-
12. Interest payable and similar expenses	(3411)	(4853)	(1943)	(2765)
16. Profit before tax	16685	23741	235406	334953
17. Tax on profit for financial period	-	-	-	-
18. Other taxes	(125)	(178)	(125)	(178)
19. Profit for the financial period	16560	23563	235281	334775

Laimonis Laugalis
Chairman of board

Dubēņi, August 23, 2005

BALANCE SHEET ON 30 JUNE 2005

	2005 30.06. LVL	2005 30.06. EUR	2004 30.06. LVL	2004 30.06. EUR
<u>Assets</u>				
Long – term investments				
I. Intangible investments				
2. Concessions, patents, licenses, trade-marks and similar rights	1030	1466	1065	1515
Intangible investments totally:	1030	1466	1065	1515
II. Fixed assets:				
1. Lands, buildings, constructions and perennial plantations	215188	306185	220655	313964
3. Technological equipments and machines	247235	351784	211698	301219
4. Other fixed assets and inventory	61690	87777	42131	59947
5. Forming of fixed assets and costs of unfinished objects of construction	126756	180358	12579	17898
6. Advance payments for fixed assets	23251	33082	10723	15257
Fixed assets totally:	674120	959186	497786	708285
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:	675502	961153	499137	710207
Current assets				
I. Stocks:				
1. Raw materials, direct materials and auxiliary materials	214806	305641	192010	273206
3. Complete products and goods for sale	447903	637309	253512	360715
5. Advance payments for goods	8485	12073	31654	45040
6. Work animals and productive animals	645758	918830	540673	769308
Stocks totally:	1316952	1873853	1017849	1448269
II. Debtors:				
1. Costumers and clients debts	33057	47036	148362	211100
4. Other debts	38156	54291	29606	42126
7. Accrued income	535	761	285	406
Debtors totally:	71748	102088	178253	253632
IV. Cash assets	187569	266887	140198	199484
Current assets totally:	1576269	2242828	1336300	1901385
<u>Assets totally</u>	2251771	3203981	1835437	2611592

BALANCE SHEET ON 30 JUNE 2005

	2005 30.06. LVL	2005 30.06. EUR	2004 30.06. LVL	2004 30.06. EUR
<u>Liabilities</u>				
Equity capital:				
1. Stock or share capital	500000	711436	500000	711436
5. Reserves				
c) Reserves prescribed by enterprise	54454	77480	54454	77480
6. Retained profit				
a) Retained profit for previous year	1194210	1699208	951627	1354043
b) Retained profit for he year accountant	16560	23563	235281	334775
Equity capital totally:	1765224	2511687	1741362	2477734
Stockpiles:				
3. Other stockpiles	12958	18438	-	-
Stockpiles totally:	12958	18438	-	-
Creditors:				
Long-term debts:				
4. Other borrowings	274010	389881	-	-
12. Deferred income	18800	26750	18651	26539
Long-term debts totally:	292810	416631	18651	26539
Short-term debts:				
5. Costumers advanced payments	988	1406	1088	1548
6. Debts to suppliers and contractors				
	140134	199393	44082	62723
10. Tax and social security payments				
	13148	18708	10718	15250
11. Other creditors	14025	19956	10210	14528
12. Deferred income	12484	17762	9326	13270
Short-term debts totally:	180779	257225	75424	107319
Creditors totally:	473589	673856	94075	133858
<u>Liabilities totally</u>	2251771	3203981	1835437	2611592

Laimonis Laugalis
Chairman of board

Dubēņi, August 23, 2005

STATEMENT OF CHANGES IN EQUITY IN FIRST HALF- YEAR OF 2005

	Equity capital		Reserves prescribed by enterprise		Retained profit		Totally	
	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
January 1, 2004	500000	711436	47400	67444	958681	1364080	1506081	2142960
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	500000	711436	54454	77480	1194210	1699208	1748664	2488124
Profit for the financial period					16560	23563	16560	23563
June 30, 2005	500000	711436	54454	77480	1210770	1722771	1765224	2511687

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Chairman of board

Dubeņi, August 23, 2005

CASH FLOW STATEMENT IN FIRST HALF- YEAR OF 2005

	2005 first half- year LVL	2005 first half- year EUR	2004 first half- year LVL	2004 first half- year EUR
Business activities cash flow				
1. Profit or loss before tax	16685	23741	235406	334953
<u>Corrections:</u>				
a) wear of fixed assets	35248	50154	24080	34263
b) amortization of immaterial investment assets	251	357	215	306
c) profit of loss from foreign currency exchange rate fluctuation	11209	15949	6932	9863
d) other tax income and other income	(739)	(1052)	-	-
2. Profit of loss before current assets and short-term liabilities residue correction influence	62654	89149	266633	379385
a) Stock residue (increase)/ decrease	(42341)	(60246)	79986	113810
b) Debtors debt residue (increase)/ decrease	26259	37364	(90906)	(129348)
c) To suppliers, contractors and other creditors payable debt residue (increase)/ decrease	(61174)	(87043)	(63308)	(90079)
3. Gross basic activities money flow	(14602)	(20776)	192405	273768
5. Realty tax costs	(125)	(178)	(125)	(178)
8. Basic activity net cash flow	(14727)	(20954)	192280	273590
Investments action cash flow				
1. Fixed assets and intangible investments purchase	(134669)	(191617)	(54982)	(78232)
2. Percentage benefit	739	1052	-	-
9. Investments activity net cash flow	(133930)	(190565)	(54982)	(78232)
Financing activity cash flow				
1. Received borrowings	475693	676850	45923	65343
2. Costs about credit repayment	(201683)	(286969)	(61099)	(86937)
10. Financing activities net cash flow	274010	389881	(15176)	(21594)
Foreign currency exchange rate fluctuation result	(11209)	(15949)	(6932)	(9863)
Financial period net cash flow	114144	162413	115190	163901
Cash and its equivalents residue in the beginning of financial period	73425	104474	25008	35583
Cash and its equivalents residue in the end of financial period	187569	266887	140198	199484

Laimonis Laugalis
Chairman of board

Dubēni, August 23, 2005

ATTACHMENT

1. Accountancy politics

1.1. General principle

Financial report is produced according to laws of Republic of Latvia "About accountancy", Latvia accountancy standard N.1 "Basic regulations of producing financial report", Latvia accountancy standard N.2 "Cash flow statement".

Profit or loss statement produced according to turnover expenses scheme.

Cash flow statement produced, basic activities cash flow determine by indirect method.

In balance sheet, in profit or loss calculation, in statement of changes in equity and in cash flow statement as comparative showed appropriate sum in June 30, 2004 and about January till June 2004.

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 programm licence, with the exception of value decrease. Intangible investments is 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. In June 30, 2004 stocks valued using weighted-average method. In July 1, 2004 because of new computer program- there is changed socks value method from weighted- average to FIFO value 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 is 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.

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. 30.06. LVL	2004. 30.06. LVL
1 USD	0.583	0.544
1 EUR	0.702804	0.663
1 DKK	0.0943	0.0892
1 LTL	0.204	0.192
1 RUB	0.0204	0.0188

Financial report positions converted in EUR according to currency exchange of The Bank of Latvia on June 30, 2005: 1LVL = 0,702804 EUR and it serves only function of information.

3. Coefficient "earnings per stock" (EPS)

2005. first half- year net earnings per stock is 0,033 LVL and 0,047 EUR.

4. Average staff amount 2005.first half- year – 125; 2004.first half- year 122.