

Joint Stock Company

GROBINA

**Non- audited
2006 Annual report**

CONTENT

General information	3
Management report about results in 2006	4
Profit of loss statement in 2006	5
Balance on 31 December 2006	6-7
Statement of changes in equity 2006	8
Cash flow statement 2006	9-10
Attachment	11
Managerial liability statement	13

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" councilors	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, 2006 – December 31, 2006
Auditor	"Auditorfirma Grāmatvedības un revīzijas birojs" SIA Matīsa street 65-8, Riga, LV-1009, Latvia Certified auditor Aija Kurta Certificate No. 128

MANAGEMENT REPORT

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

In year 2006 the extraction indices was higher that year before, -from one mink mother raised 5,3 puppies and from one silver fox mother raised 4,5 puppies. To raise animal productivity, to raise a quality of skins in 2006 has been bought breeding animals for 67,6 thousand LVL.

Net turnover in year 2006 was 1,97 million LVL.. In compared to last year it has increase for 48%. It is the result of interpellation increase in Scandinavian auction houses.

In year 2006 there was made 183,0 thousands LVL investments in production machine and buildings. The renew work has been made in farm, food kitchen, freezers. The new food machine has been purchase, also clarification and new pelting machinery was purchased.

In JSC "Grobina" in year 2006 the average staff amount was 130 employees.

Joint stock company "Grobiņa" regularly and without obstruction has paid all taxes, salaries and other payments. In year 2006 average earnings has grow for 29% and was 291,49 LVL.. In taxes paid 237,0 thousands LVL.

In 2006 net earnings per stock are 0,610 LVL or 0,868 EUR; 2005 – 0,274 LVL or 0,390 EUR.

In year 2007 there is a plan to continue to renew breeding animals, that will cost about 70 thousands LVL.

Investments in production machine, buildings and machinery planed to spend 200 thousands LVL.

In next financial period plan to have 1,9 million LVL sales proceed.

Join stock company "Grobina" board recommends year 2006 profit leave undivided for manufacture development and modernisation.

Laimonis Laugalis
Chairman of board

Anatolijs Gorbunovs
Regent

Gunta Isajeva
Regent

Dubeni, 26 February 2007

PROFIT OR LOSS STATEMENT IN 2006

2006	2006	2005	2005
------	------	------	------

A/S "GROBIŅA"
2006. GADA PĀRSKATS

	LVL	EUR	LVL	EUR
1. Net turnover	1968373	2800742	1333996	1898105
2. Cost of sales	(1449455)	(2062389)	(1010020)	(1437129)
3. Gross profit	518918	738354	323976	460976
4. Sales distribution costs	(59132)	(84137)	(55635)	(79161)
5. Administration costs	(110272)	(156903)	(94332)	(134222)
6. Other operating income	43549	61965	43395	61746
7. Other operating expenses	(21260)	(30250)	(40435)	(57534)
10. Other interest receivable and similar income	7	10	755	1074
12. Interest payable and similar expenses	(17234)	(24522)	(6122)	(8711)
16. Profit before tax	354576	504516	171602	244168
17. Tax on profit for financial period	(45978)	(65421)	(16197)	(23046)
18. Suspended enterprise income tax	(3455)	(4916)	(18226)	(25933)
19. Other Taxes	(187)	(266)	(125)	(178)
20. Profit for the financial period	304956	433913	137054	195010
21. Earnings per stock	0,610	0,868	0,274	0,390

Laimonis Laugalis
Chairman of board

Anatolijs Gorbunovs
Regent

Gunta Isajeva
Regent

Dubēni, 26 February 2007

BALANCE ON 31 DECEMBER, 2006

A/S "GROBIŅA"
2006. GADA PĀRSKATS

	2006 LVL	2006 EUR	2005 LVL	2005 EUR
<u>Assets</u>				
Long – term investments				
I. Intangible investments				
2. Concessions, patents, licenses, trade-marks and similar rights	600	854	764	1087
Intangible investments totally:	600	854	764	1087
II. Fixed assets:				
1. Lands, buildings, constructions and perennial plantations	411138	584997	325897	463710
3. Technological equipments and machines	213513	303802	266827	379661
4. Other fixed assets and inventory	113199	161068	53478	76092
5. Forming of fixed assets and costs of unfinished objects of construction	12579	17898	19897	28311
6. Advance payments for fixed assets	13761	19580	9566	13611
Fixed assets totally:	764190	1087344	675665	961385
III. Long-term financial investments				
5. Other securities and investments	352	501	352	501
7. Own stocks and shares	2500	3557		
Long term financial investments totally:	2852	4058	352	501
Long-term investments totally:	767642	1092256	676781	962973
Current assets				
I. Stocks:				
1. Raw materials, direct materials and auxiliary materials	113770	161880	74429	105903
3. Complete products and goods for sale	1384808	1970404	1075898	1530865
5. Advance payments for goods			64	91
6. Work animals and productive animals	496591	706585	406899	578965
Stocks totally:	1995169	2838870	1557290	2215824
II. Debtors:				
1. Costumers and clients debts	83073	118202	56029	79722
4. Other debts	10292	14644	47229	67201
7. Expenses of next period	2642	3759	1498	2131
Debtors totally:	96007	136606	104756	149054
IV. Cash assets	477348	679205	123712	176026
Current assets totally:	2568524	3654680	1785758	2540905
<u>Assets totally</u>	3336166	4746937	2462539	3503877

BALANCE ON 31 DECEMBER, 2006

	2006 LVL	2006 EUR	2005 LVL	2005 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	1331264	1894218	1194210	1699208
b) Retained profit for he year accountant	304956	433913	137054	195010
Equity capital totally:	2190674	3117048	1885718	2683135
Stockpiles:				
2. Reserve for prospective taxes	21681	30849	18226	25933
3. Other stockpiles	38933	55397	24540	34917
Stockpiles totally:	60614	86246	42766	60850
Creditors:				
Long-term debts:				
4. Other borrowings	251920	358450	278710	396569
12. Deferred income	3159	4495	6317	8988
Long-term debts totally:	255079	362945	285027	405557
Short-term debts:				
3. Borrowings from credit institution	139858	199000	54271	77221
5. Costumers advanced payments	446956	635961	30614	43560
6. Debts to suppliers and contractors	107729	153285	91409	130063
10. Tax and social security payments	81705	116256	35372	50330
11. Other creditors	44594	63452	19633	27935
12. Deferred income	3158	4493	12483	17762
15. Accrued liabilities	5799	8251	5246	7464
Short-term debts totally:	829799	1180698	249028	354335
Creditors totally:	1084878	1543642	534055	759892
<u>Liabilities totally</u>	3336166	4746937	2462539	3503877

Laimonis Laugalis
Chairman of board

Anatolijs Gorbunovs
Regent

Gunta Isajeva
Regent

Dubeni, 26 February 2007

STATEMENT OF CHANGES IN EQUITY 2006

	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, 2005		711436		77481		1699208		2488125
	500000		54454		1194210		1748664	
Profit for the financial period					137054	195010	137054	195010
December 31, 2005		711436		77481		1894218		2683135
	500000		54454		1331264		1885718	
Profit for the financial period						433913	304956	433913
					304956			
December 31, 2006		711436		77481		2328131		3117048
	500000		54454		1636220		2190674	

Laimonis Laugalis
Chairman of board

Anatolijs Gorbunovs
Regent

Gunta Isajeva
Regent

Dubeni, 26 February 2007

CASH FLOW STATEMENT 2006

	2006 LVL	2006 EUR	2005 LVL	2005 EUR
Business activities cash flow				
1. Profit or loss before tax	354576	504516	171602	244168
Corrections:				
a) wear of fixed assets	93310	132768	76573	108954
b) amortization of immaterial investment assets	236	336	517	736
c) formation of accumulations	14393	20479	11582	16480
d) profit of loss from foreign currency exchange rate fluctuation	3317	4720	24307	34586
e) received subsidies endowments, grants and donation	(28792)	(40967)	(31697)	(45101)
f) other tax income and other income	(7)	(10)	(755)	(1074)
g) percentage payments	17234	24522	6122	8711
h) donations	2000	2846	1200	1707
i) lliquidation of fixed assets	1099	1564	0	0
2. Profit of loss before current assets and short-term liabilities residue correction influence	457366	650773	259451	369166
a) a) Stock residue (increase)/ decrease	(437879)	(623046)	(282679)	(402216)
b) Debtors debt residue (increase)/ decrease	8749	12449	(6749)	(9603)
c) To suppliers, contractors and other creditors payable debt residue increase/ (decrease)	492026	700090	(59679)	(84916)
3. Gross basic activities cash flow	520262	740266	(89656)	(127569)
4. expenses for percentage payments	(17234)	(24522)	(6122)	(8711)
5. expenses for enterprise income tax	(45978)	(65421)	(16197)	(23046)
6. Realty tax costs	(187)	(266)	(125)	(178)
8. Basic activity net cash flow	456863	650057	(112100)	(159504)
Investments action cash flow				
1. Company stock or share purchase.	(2500)	(3557)	0	0
2. Fixed assets and intangible investments purchase	(183006)	(260394)	(177539)	(252615)
3. Percentage benefit	7	10	755	1074
9. Investments activity net cash flow	(185499)	(263941)	(176784)	(251541)
Financing activity cash flow				
1. Received borrowings	196482	279569	590418	840089
2. Received subsidies endowments, grants and donation	28792	40967	31697	45101
3. Costs about credit repayment	(137685)	(195908)	(257437)	(366300)
4. Expenses for donations	(2000)	(2846)	(1200)	(1707)
10. Financing activity net cash flow	85589	121782	363478	517183
Foreign currency exchange rate fluctuation result	(3317)	(4720)	(24307)	(34586)
Financial period net cash flow	353636	503179	50287	71552

A/S "GROBIŅA"
2006. GADA PĀRSKATS

Cash and its equivalents residue in the beginning of
financial period

123712 176026 73425 104474

Cash and its equivalents residue in the end of
financial period

477348 679205 123712 176026

Laimonis Laugalis
Chairman of board

Anatolijs Gorbunovs
Regent

Gunta Isajeva
Regent

Dubeni, 26 February 2007

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. 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.

	2006 LVL	2005 LVL
1 USD	0,536	0,593
1 EUR	0,702804	0,702804
1 DKK	0,0943	0,0942
1 LTL	0,204	0,204
1 RUB	0,0203	0,0206

Financial report positions converted in EUR according to currency exchange of The Bank of Latvia December 31, 2006: 1 LVL = 0,702804 EUR and it serves only function of information.

3. Average staff amount in 2006 – 130 ; 2005 – 127 employers.

MANAGERIAL LIABILITY STATEMENT

According to disposable information JSC "Grobiņa" contracted first half year 2006 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.

Laimonis Laugalis
Chairman of board

Anatolijs Gorbunovs
Regent

Gunta Isajeva
Regent

Dubeni, 26 February 2007