

Joint Stock Company

GROBINA

**Non- audited
2006 first quarterly
Financial 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, 2006 – March 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 and polar fox breeding for furry extraction.

In 2006 in first quarterly net turnover is 614518 LVL. Compared to previous year first quarterly it is superior because in the beginning of year there was sold great amount of fur in Scandinavian auction houses.

In 2006 first three months has been invest 31052 LVL in production machine and buildings. New disinfections machine has been purchased, accomplished advance payment for new food transducer, prosecuted work to renew animal stands.

In joint stock company "Grobina" in 2006 in first quarterly average staff amount was 131 employees.

In 2006 in first quarterly net earnings per stock is 0,344 LVL or 0,490 EUR; in 2005 in first quarterly – 0,039 LVL or 0,055 EUR.

In 2006 there is a plan to continue vitalize breeder animal flock, it takes 48 thousand LVL, also to renew animal stands.

Laimonis Laugalis
Chairman of board

Anatolijs Gorbunovs
Regent

Gunta Isajeva
Regent

Dubeni, 26 May 2006

PROFIT OR LOSS STATEMENT IN 2006 IN FIRST QUARTERLY

	2006 first quarterly LVL	2006 first quarterly EUR	2005 first quarterly LVL	2005 first quarterly EUR
1. Net turnover	614518	874380	199708	284159
2. Cost of sales	(406844)	(578887)	(142428)	(202657)
3. Gross profit	207674	295493	57280	81502
4. Sales distribution costs	(8205)	(11675)	(8976)	(12772)
5. Administration costs	(24485)	(34839)	(26168)	(37234)
6. Other operating income	170	242	1131	1609
7. Other operating expenses	(1511)	(2150)	(2037)	(2898)
10. Other interest receivable and similar income	7	10		
12. Interest payable and similar expenses	(1430)	(2035)	(1397)	(1988)
16. Profit before tax	172220	245047	19833	28220
17. Tax on profit for financial period	-	-	-	-
18. Other Taxes	(188)	(267)	(125)	(178)
19. Profit for the financial period	172032	244779	19708	28042

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Chairman of board

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Gunta Isajeva
Regent

Dubeni, 26 May 2006

BALANCE ON 31 MARCH 2006

	2006 31.03. LVL	2006 31.03. EUR	2005 31.03. LVL	2005 31.03. EUR
<u>Assets</u>				
Long – term investments				
I. Intangible investments				
2. Concessions, patents, licences, trade-marks and similar rights	1032	1468	1165	1658
Intangible investments totally:	1032	1468	1165	1658
II. Fixed assets:				
1. Lands, buildings, constructions and perennial plantations	322174	458412	216553	308127
3. Technological equipments and machines	255695	363821	259207	368818
4. Other fixed assets and inventory	49408	70301	65340	92970
5. Forming of fixed assets and costs of unfinished objects of construction	46878	66701	41356	58844
6. Advance payments for fixed assets	11261	16023	5702	8113
Fixed assets totally:	685416	975259	588158	836873
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:	686800	977228	589675	839032
Current assets				
I. Stocks:				
1. Raw materials, direct materials and auxiliary materials	186695	265643	187441	266705
3. Complete products and goods for sale	746833	1062648	750884	1068412
5. Advance payments for goods			7359	10471
6. Work animals and productive animals	337318	479960	279371	397509
Stocks totally:	1270846	1808251	1225055	1743096
II. Debtors:				
1. Costumers and clients debts	12394	17635	515	733
4. Other debts	18025	25647	103450	147196
7. Expenses of next period	229723	326866	197822	281475
Debtors totally:	260142	370149	301787	429404
IV. Cash assets				
	297759	423673	289733	412253
Current assets totally:	1828747	2602073	1816575	2584753
<u>Assets totally</u>	2515547	3579301	2406250	3423785

BALANCE ON 31 MARCH 2006

	2006 31.03. LVL	2006 31.03. EUR	2005 31.03. LVL	2005 31.03. 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 financial year	172032	244779	19708	28042
Equity capital totally:	2057750	2927914	1768372	2516167
Stockpiles:				
2. Reserve for prospective taxes	18226	25933		
3. Other stockpiles	24540	34917	12958	18438
Stockpiles totally:	42766	60851	12958	18438
Creditors:				
Long-term debts:				
3. Bank borrowings			-	-
4. Other borrowings	273540	389212	255210	363131
12. Deferred income	6317	8988	18800	26750
Long-term debts totally:	279857	398200	274010	389881
Short-term debts:				
3. Bank borrowings			-	-
5. Customers advanced payments	986	1403	211932	301552
6. Debts to suppliers and contractors	72759	103527	100126	142466
10. Tax and social security payments	31346	44601	12260	17444
11. Other creditors	17600	25043	14108	20074
12. Deferred income	12483	17762	12484	17763
Short-term debts totally:	135174	192335	350910	499300
Creditors totally:	415031	590535	624920	889181
Liabilities totally	2515547	3579301	2406250	3423785

Laimonis Laugalis
Chairman of board

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Gunta Isajeva
Regent

Dubeni, 26 May 2006

STATEMENT OF CHANGES IN EQUITY IN 2006 FIRST QUARTETLY

	Equity capital	Equity capital	Reserve s prescrib ed by enterpri se	Reserv es prescri ed 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						195010		195010
					137054		137054	
December 31, 2005		711436		77481		1894218		2683135
	500000		54454		1331264		1885718	
Profit for the financial period						244779		244779
					172032		172032	
March 31, 2006		711436		77481		2138998		2927914
	500000		54454		1503296		2057750	

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Dubeni, 26 May 2006

CASH FLOW STATEMENT IN 2006 FIRST QUARTERLY

	2006 1.cet LVL	2006 1.cet EUR	2005 1.cet LVL	2005 1.cet EUR
Business activities cash flow				
1. Profit or loss before tax	172220	245047	19833	28220
<u>Corrections:</u>				
a) wear of fixed assets	21879	31131	17593	25032
b) amortization of immaterial investment assets	80	114	116	165
c) profit of loss from foreign currency exchange rate fluctuation	1083	1541	1579	2247
d) other tax income and other income	(7)	(10)	-	-
e) percentage payments	1430	2035	1397	1988
2. Profit of loss before current assets and short-term liabilities residue correction influence	196685	279858	40518	57652
a) Stock residue (increase)/ decrease	286444	407573	49556	70512
b) Debtors debt residue (increase)/ decrease	(155386)	(221094)	(203780)	(289953)
c) To suppliers, contractors and other creditors payable debt residue increase/ (decrease)	(59582)	(84778)	108957	155032
3. Gross basic activities cash flow	268161	381559	(4749)	(6757)
4. Expenses for percentage payments	(1430)	(2035)	(1397)	(1988)
5. Realty tax costs	(188)	(267)	(125)	(178)
8. Basic activity net cash flow	266543	379257	(6271)	(8923)
Investments action cash flow				
1. Fixed assets and intangible investments purchase	(31979)	(45502)	(31052)	(44183)
3. Percentage benefit	7	10		
9. Investments activity net cash flow	(31972)	(45492)	(31052)	(44183)
Financing activity cash flow				
1. Received borrowings	45963	65399	456423	649431
2. Costs about credit repayment	(105404)	(149976)	(201213)	(286300)
10. Financing activity net cash flow	(59441)	(84577)	255210	363131
Foreign currency exchange rate fluctuation result	(1083)	(1541)	(1579)	(2247)
Financial period net cash flow	174047	247647	216308	307779
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	297759	423673	289733	412253

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Dubeni, 26 May 2006

ATTACHMENT

1. Accountancy politics

a. 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, statement of changes on equity and cash flow statement compared together correspondent sum on March 31, 2005 and about January 2005 till March 2005.

b. 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.

c. 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.

d. 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 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. 31.03.	2005. 31.03. Ls
1 USD	0,582	0,543
1 EUR	0,702804	0,702804
1 DKK	0,0942	0,0944
1 LTL	0,204	0,204
1 RUB	0,021	0,0195

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

3. Coefficient "earnings per stock" (EPS)

In 2006 in first quarterly net earnings per stock is 0,344 LVL or 0,490 EUR; in 2005 in first quarterly – 0,039 LVL or 0,055 EUR.

4. Average staff amount

In 2006 in first quarterly – 131; in 2005 in first quarterly - 125