

Joint Stock Company

GROBINA

Non- audited

First half year 2006

Financial report

CONTENT

General information	3
Management report	4
Profit of loss statement about first half year 2006	5
Balanceon first half year 2006	6-7
Statement of changes in equity in first half year 2006	8
Cash flow statement about first half year 2006	9
Attachment	10
Managerial liability statement	12

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	Janunary 1, 2006 – June 30, 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 first half year 2006 net turnover is 1 137 717 LVL. In compared to previous year first half, it has increase about 70% because in the beginning of this year in Scandinavian auction houses were sold big amount of furry.

In first half year 2006 the investments in production machine and buildings was 78 969 LV. New disinfection machinery, grass-cutter has been purchase, the advance payment for new nutrition machinery has been done, also continues the work to renew mink houses.

In JSC "Grobiņa" in first half year 2006 the average staff amount was 131 employees, average earnings – 215,43 LVL.

In first half year 2006 net earnings per stock is 0,469 LVL or 0,667 EUR; in first half year 2005– 0,033 LVL or 0,047 EUR.

In second half year 2006 there is a plan to continue renew mink houses in 9th brigade and to install automatic animal clarification system in farm.

Laimonis Laugalis
Chairman of board

Anatolijs Gorbunovs
Regent

Gunta Isajeva
Regent

Dubeni, August 28, 2006

PROFIT OF LOSS STATEMENT ABOUT FIRST HALF YEAR 2006

	2006 first half year LVL	2006 first half year EUR	2005 first half year LVL	2005 first half year EUR
1. Net turnover	1137717	1618825	666672	948589
2. Cost of sales	(835188)	(1188365)	(558715)	(794980)
3. Gross profit	302529	430460	107957	153609
4. Sales distribution costs	(14263)	(20294)	(30885)	(43945)
5. Administration costs	(47409)	(67457)	(47096)	(67012)
6. Other operating income	1273	1811	1131	1609
7. Other operating expenses	(5129)	(7298)	(11750)	(16719)
10. Other interest receivable and similar income	7	10	739	1052
12. Interest payable and similar expenses	(2418)	(3441)	(3411)	(4853)
16. Profit before tax	234590	333791	16685	23741
17. Tax on profit for financial period	-	-	-	-
18. Other Taxes	(188)	(267)	(125)	(178)
19. Profit for the financial period	234402	333524	16560	23563

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Gunta Isajeva
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Dubeni, August 28, 2006

BALANCE ON JUNE 30, 2006

	2006 30.06. LVL	2006 30.06. EUR	2005 30.06. LVL	2005 30.06. EUR
<u>Assets</u>				
Long – term investments				
I. Intangible investments				
2. Concessions, patents, licenses, trade- marks and similar rights	683	972	1030	1466
Intangible investments totally:	683	972	1030	1466
II. Fixed assets:				
1. Lands, buildings, constructions and perennial plantations	318450	453114	215188	306185
3. Technological equipments and machines	241623	343799	247235	351784
4. Other fixed assets and inventory	48096	68434	61690	87777
5. Forming of fixed assets and costs of unfinished objects of construction	74549	106074	126756	180358
6. Advance payments for fixed assets	27915	39719	23251	33083
Fixed assets totally:	710633	1011140	674120	959186
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:	711668	1012612	675502	961153
Current assets				
I. Stocks:				
1. Raw materials, direct materials and auxiliary materials	247941	352788	214806	305641
3. Complete products and goods for sale	415852	591704	447903	637309
5. Advance payments for goods	853	1214	8485	12073
6. Work animals and productive animals	802594	1141988	645758	918831
Stocks totally:	1467240	2087694	1316952	1873854
II. Debtors:				
1. Costumers and clients debts	304381	433095	33057	47036
4. Other debts	24136	34342	38156	54291
7. Expenses of next period	2240	3187	535	761
Debtors totally:	330757	470625	71748	102088
IV. Cash assets	67134	95523	187569	266887
Current assets totally:	1865131	2653842	1576269	2242829
<u>Assets totally</u>	2576799	3666455	2251771	3203981

BALANCE ON JUNE 30, 2006

	2006 30.06. LVL	2006 30.06. EUR	2005 30.06. LVL	2005 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	77481	54454	77481
6. Retained profit				
a) Retained profit for previous year	1331264	1894218	1194210	1699208
b) Retained profit for he year accountant	234402	333524	16560	23563
Equity capital totally:	2120120	3016659	1765224	2511687
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:				
4. Other borrowings	263200	374500	274010	389881
12. Deferred income	6317	8988	18800	26750
Long-term debts totally:	269517	383488	292810	416631
Short-term debts:				
5. Costumers advanced payments	949	1350	988	1406
6. Debts to suppliers and contractors				
	98438	140065	140134	199393
10. Tax and social security payments				
	16444	23398	13148	18708
11. Other creditors	16082	22883	14025	19956
12. Deferred income	12483	17762	12484	17763
Short-term debts totally:	144396	205457	180779	257225
Creditors totally:	413913	588945	473589	673856
Liabilities totally	2576799	3666455	2251771	3203981

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Dubeni, August 28, 2006

STATEMENT OF CHANGES IN EQUITY IN FIRST HALF YEAR 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					234402	333524	234402	333524
June 30, 2006		711436		77481		2227742		3016659
	500000		54454		1565666		2120120	

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Dubeni, August 28, 2006

CASH FLOW STATEMENT ABOUT FIRST HALF YEAR 2006

	2006 first half year LVL	2006 first half year EUR	2005 first half year LVL	2005 first half year EUR
Business activities cash flow				
1. Profit or loss before tax	234590	333791	16685	23741
<u>Corrections:</u>				
a) wear of fixed assets	43929	62505	35248	50153
b) amortization of immaterial investment assets	153	218	251	357
c) profit of loss from foreign currency exchange rate fluctuation	1580	2248	11209	15949
d) other percentage income and other income	(7)	(10)	(739)	(1052)
e) percentage payments	2418	3441	3411	4853
2. Profit of loss before current assets and short-term liabilities residue correction influence	282663	402193	66065	94002
a) Stock residue (increase)/ decrease	90050	128130	(42341)	(60246)
b) Debtors debt residue (increase)/ decrease	(226001)	(321570)	26259	37363
c) To suppliers, contractors and other creditors payable debt residue increase/ (decrease)	(50361)	(71657)	(61174)	(87043)
3. Gross basic activities cash flow	96351	137095	(11191)	(15923)
4. Expenses for percentage payments	(2418)	(3441)	(3411)	(4853)
5. Realty tax costs	(188)	(267)	(125)	(178)
8. Basic activity net cash flow	93745	133387	(14727)	(20955)
Investments action cash flow				
1. Fixed assets and intangible investments purchase	(78969)	(112363)	(134669)	(191617)
3. Percentage benefit	7	10	739	1052
9. Investments activity net cash flow	(78962)	(112353)	(133930)	(190565)
Financing activity cash flow				
1. Received borrowings	46433	66068	475693	676850
2. Costs about credit repayment	(116214)	(165358)	(201683)	(286969)
10. Financing activity net cash flow	(69781)	(99289)	274010	389881
Foreign currency exchange rate fluctuation result	(1580)	(2248)	(11209)	(15949)
Financial period net cash flow	(56578)	(80503)	114144	162412
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	67134	95523	187569	266887

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Dubeni, August 28, 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, equity statement and cash flow statement as compared sum showed apropos sum on June 30, 2005 and about January – June 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.

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. 30.06. LVL	2005. 30.06. LVL
1 USD	0.560	0.583
1 EUR	0.702804	0.702804
1 DKK	0.0942	0.0943
1 LTL	0.204	0.204
1 RUB	0.0207	0.0204

Financial report positions converted in EUR according to currency exchange of The Bank of Latvia on June 30, 2006: 1 EUR = 0,702804 LVL and it serves only function of information.

3. Coefficient "earnings per stock" (EPS)

In first half year 2006 net earnings per stock is 0,469 LVL or 0,667 EUR; in first half year 2005– 0,033 LVL or 0,047 EUR.

4. Average staff amount

In first half year 2006 – 131; in first half year 2005– 125.

MANAGERIAL LIABILITY STATEMENT

According to disposable information JSC "Grobina" contracted first half year 2006 financial report is prepared according to effectual laws and regulations and it provides actual and clear distinct about JSC "Grobina" assets, liabilities, financial standing and profit. Managerial liability statement contains real information.

Laimonis Laugalis
Chairman of board

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Dubeni, August 28, 2006