

Joint stock company

GROBINA

Non- audited

2006. year 9 months

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" 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 – September 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 ABOUT 9 MONTHS IN 2006

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

In year 2006 9 months net turnover is 1 591 665 LVL, in compared with year 2005 9 months it has increase about 57,1%. JSC "Grobiņa" has export 95% furry. The most furry were exported to Denmark and Finland.

In year 2006 9 months the investments in production machine and buildings was 128 641 LVL. New disinfections machinery, nutrition machinery, skin processing machinery was obtained. Also renewed mink houses.

In year 2006 9 months average staff amount was 131 employees, average earnings – 230,64 LVL. Average earnings have increase about 16,8%.
In taxes paid 141,6 thousand LVL.

2006. year 9 months net earnings per stock is 0,495 LVL or 0,704 EUR; 2005. year 9 months - 0,242 LVL or 0,344 EUR.

There is a plan to continue improve skin machinery this year.

Laimonis Laugalis
Chairman of board

Anatolijs Gorbunovs
Regent

Gunta Isajeva
Regent

Dubeni, 27 November, 2006

PROFIT OF LOSS STATEMENT IN 9 MONTHS IN 2006

	2006 9 months LVL	2006 9 months EUR	2005 9 months LVL	2005 9 months EUR
1. Net turnover	1591665	2264735	1013193	1441644
2. Cost of sales	(1239851)	(1764149)	(765590)	(1089337)
3. Gross profit	351814	500586	247603	352307
4. Sales distribution costs	(14552)	(20706)	(50461)	(71800)
5. Administration costs	(77643)	(110476)	(69397)	(98743)
6. Other operating income	1273	1811	17882	25444
7. Other operating expenses	(9858)	(14027)	(20239)	(28798)
10. Other interest receivable and similar income	8	11	739	1052
12. Interest payable and similar expenses	(3319)	(4723)	(4853)	(6905)
16. Profit before tax	247723	352478	121274	172557
17. Tax on profit for financial period	-	-	-	-
18. Other Taxes	(188)	(267)	(125)	(178)
19. Profit for the financial period	247535	352211	121149	172379

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Dubeni, 27 November, 2006

BALANCE ON 30 SEPTEMBER 2006

	2006	2006	2005	2005
	30.09.	30.09.	30.09.	30.09.
	LVL	EUR	LVL	EUR
<u>Assets</u>				
Long – term investments				
I. Intangible investments				
2. Concessions, patents, licenses, trade-marks and similar rights	642	913	896	1275
Intangible investments totally:	642	913	896	1275
II. Fixed assets:				
1. Lands, buildings, constructions and perennial plantations	387778	551758	329621	469008
3. Technological equipments and machines	227566	323797	277100	394278
4. Other fixed assets and inventory	91646	130401	57629	81999
5. Forming of fixed assets and costs of unfinished objects of construction	12579	17898	12579	17898
6. Advance payments for fixed assets	16467	23430	9668	13756
Fixed assets totally:	736036	1047285	686597	976939
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:	737030	1048699	687845	978715
Current assets				
I. Stocks:				
1. Raw materials, direct materials and auxiliary materials	121238	172506	72347	102941
3. Complete products and goods for sale	170623	242775	195134	277651
5. Advance payments for goods	3364	4787	1270	1807
6. Work animals and productive animals	1256443	1787757	1152262	1639521
Stocks totally:	1551668	2207825	1421013	2021920
II. Debtors:				
1. Costumers and clients debts	36926	52541	99219	141176
4. Other debts	14777	21026	39869	56728
7. Expenses of next period	2534	3606	1084	1542
Debtors totally:	54237	77172	140172	199446
IV. Cash assets	516675	735162	103804	147700
Current assets totally:	2122580	3020159	1664989	2369066
<u>Assets totally</u>	2859610	4068858	2352834	3347781

BALANCE ON 30 SEPTEMBER 2006

	2006	2006	2005	2005
	30.09.	30.09.	30.09.	30.09.
	LVL	EUR	LVL	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	247535	352211	121149	172379
Equity capital totally:	2133253	3035346	1869813	2660504
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:				
3. Borrowings from credit institution	94879	135001	9839	14000
5. Costumers advanced payments	161925	230399	988	1406
6. Debts to suppliers and contractors	106398	151391	122691	174574
10. Tax and social security payments	18826	26787	15622	22228
11. Other creditors	19563	27836	15629	22238
12. Deferred income	12483	17762	12484	17762
Short-term debts totally:	414074	589174	177253	252208
Creditors totally:	683591	837662	470063	668839
Liabilities totally	2859610	3933858	2352834	3347781

Laimonis Laugalis
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Dubeni, 27 November, 2006

STATEMENT OF CHANGES IN EQUITY IN 9 MONTHS IN 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						195010		195010
					137054		137054	
December 31, 2005		711436		77481		1894218		2683135
	500000		54454		1331264		1885718	
Profit for the financial period						352211		352211
					247535		247535	
September 30, 2006		711436		77481		2246429		3035346
	500000		54454		1578799		2133253	

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Dubeni, 27 November 2006

CASH FLOW STATEMENT IN 9 MONTHS IN 2006

	2006 9 months LVL	2006 9 months EUR	2005 9 months LVL	2005 9 months EUR
Business activities cash flow				
1. Profit or loss before tax	247723	352478	121274	172557
<u>Corrections:</u>				
a) Wear of fixed assets	67099	95473	54547	77613
b) Amortization of immaterial investment assets	195	277	385	548
c) Liquidation of fixed assets	1098	1562	-	-
d) Profit of loss from foreign currency exchange rate fluctuation	6307	8974	17382	24732
e) Other percentage income and other income	(8)	(11)	(739)	(1052)
f) Percentage payments	3319	4723	4853	6905
g) Benefactions	2000	2846	-	-
2. Profit of loss before current assets and short-term liabilities residue correction influence	327733	466322	197702	281303
a) Stock residue (increase)/ decrease	5622	7999	(146402)	(208311)
b) Debtors debt residue (increase)/ decrease	50519	71882	(42165)	(59995)
c) To suppliers, contractors and other creditors payable debt residue increase/ (decrease)	124438	177059	(74539)	(106059)
3. Gross basic activities cash flow	508312	723263	(65404)	(93062)
4. Expenses for percentage payments	(3319)	(4723)	(4853)	(6905)
5. Realty tax costs	(188)	(267)	(125)	(178)
8. Basic activity net cash flow	504805	718273	(70382)	(100145)
Investments action cash flow				
1. Fixed assets and intangible investments purchase	(128641)	(183040)	(166445)	(236830)
3. Percentage benefit	8	11	739	1052
9. Investments activity net cash flow	(128633)	(183028)	(165706)	(235778)
Financing activity cash flow				
1. Received borrowings	151503	215569	485532	690850
2. Costs about credit repayment	(126405)	(179858)	(201683)	(286969)
3. Benefactions	(2000)	(2846)	-	-
10. Financing activity net cash flow	23098	32865	283849	403881
Foreign currency exchange rate fluctuation result	(6307)	(8974)	(17382)	(24732)
Financial period net cash flow	392963	559136	30379	43226
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	516675	735162	103804	147700

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Dubeni, 27 November 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

In balance, profit or loss statement, equity statement and cash flow statement as compared sum showed apropos sum on September 30, 2005 and about January – June 2005

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.

11.5. 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. 30.09. LVL	2005. 30.09. LVL
1 USD	0,552	0,583
1 EUR	0,702804	0,0702804
1 DKK	0,0942	0,0942
1 LTL	0,203	0,204
1 RUB	0,0206	0,0204

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

3. Coefficient "earnings per stock" (EPS)

2006. year 9 months net earnings per stock is 0,495 LVL or 0,704 EUR; 2005. year 9 months - 0,242 LVL or 0,344 EUR.

4. Average staff amount

2006 year 9 months – 131; 2005 year 9 months – 127.

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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

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Dubeni, 27 November, 2006