

## **Information about the company**

Name of the company **“Kurzeme Pedigree and Artificial Insemination Station”**

Legal status **Stock company**

Registration No. **40003017085**

Date of registration in Companies` Register **August 6<sup>th</sup>, 1991**

Date of registration in Commercial Register **April 7<sup>th</sup>, 2004**

Place of registration **Rīga**

Legal address **Jaunpils, Tukums District, LV-3145**

Activities : **-agriculture production – high quality bioproduct (sperm) production and realization for promotion of animals` selection work in the republic, pedigree activities accordingly signed agreements, growing and realization of breed horses, organization of artificial insemination work, eksport - import operations, development of external economical relations, sales and meditation in sales, agriculture services, production of feed, any other activities accordingly Stock companie`s “Kurzeme CMAS” activities, targets and goals, if they are not acting against the Legislation of the Republic of Latvia.**

Council: **Chairman: Gunārs Veska**  
**Members: INDRA MARTINSONE,**  
**GUNA SESKA, NORA**  
**VILDBERGA, JURIS KALITA,**  
**HARALDS MOZGIRS, RIHARDS**  
**STUMBURS**

Board: **Chairman: GATIS KAČIS**  
**Members: GUNTIS KĪGULIS, VILMA**  
**MAĻINOVSKA**

Annual year: **01.01.2005.-31.12.2005.**

Auditors: **Sworn auditor EDĪTE SONČIKA**  
**(License No.1)**

## **ADMINISTRATION REPORT**

The main activities of the company are production and realization of high quality bioproduct of getters (boars and bulls), services of pedigree work, growing of breed horses, cereal growing.

### **Financial results**

Netto turnover in year 2005 is Ls 542805, profit after paying taxes is Ls 86423, that is for Ls 6360 or 7 % less comparing with the previous year.

During the annual year the company has been granted with state subsidies in amount of Ls 49569. Subsidies are received for purchasing of breed materials abroad , keeping of breed cattle and EU areas payments.

Proposals for allocation of profit : draw in dividends 43800 Ls , divert other 42623 Ls for purchasing production means.

### **Investments**

In year 2005 company has purchased fixed assets for total amount Ls 43492, including land in Kuldiga district - Ls 4000, transport means - Ls 19687, technological equipment for modernatization of laboratories – Ls 611, agriculture machinery and tools – Ls 17741, office equipment – Ls 1453.

### **Planned development activities**

It is planned for year 2006:

4. To continue the technological improvements of laboratories.
5. To repair office, laboratory and production rooms.
6. In connection with fulfilling planned activities on optimatization of boars` bioproduct production where is planned to keep all breed boars in one place, is necessary to make reconstruction works or build a new stall with production facilities using and attracting financial means from EU Structural Funds as much as possible.

To apply for state subsidies for partly covering of costs of keeping high quality breed bulls, and other costs mentioned in subsidy regulations.

After the end of the financial year there have not been any events or actions that could influence the information given in this financial report.

Chairmen of the board:

G.Kaķis

## FINANCIAL REPORT

### BALANCE on December 31<sup>st</sup>, 2005.

ASSETS	App endx No	31.12. 2005. LVL	31.12. 2004. LVL	31.12. 2005. EUR	31.12. 2004. EUR
<b>1.Long term assets</b>					
I Intangible assets:					
1. Concessions, patents, licenses, trademarks and similar rights		959		1364	
<b>I TOTAL</b>	1.	<i>959</i>		<i>1364</i>	
II Tangible assets:					
1. Land and buildings, long term plantations		110950	137434	157868	195551
2. Equipment and machinery		89343	72500	127124	103157
3. Other fixed assets and inventory		6795	7973	9668	11344
<b>II TOTAL</b>	2.	<i>207088</i>	<i>217906</i>	<i>294660</i>	<i>310052</i>
III Long term financial assets		2480	2480	3529	3529
1. Other securities and investments					
<b>III TOTAL</b>		<i>2480</i>	<i>2480</i>	<i>3529</i>	<i>3529</i>
<b>1.LONG TERM ASSETS TOTAL</b>		<b>210527</b>	<b>220386</b>	<b>299553</b>	<b>313581</b>
<b>2.Current assets</b>					
I Stocks:					
1. Raw materials and consumables		14362	13781	20435	19608
2. Work in progress		1362	1362	1938	1938
3.Finished goods and goods for resale		89716	121448	127654	172805
4. Productive animals		109280	94901	155491	135032
<b>I TOTAL</b>		<i>214720</i>	<i>231492</i>	<i>305518</i>	<i>329383</i>
II Debtors:					
1. Trade debtors		26286	29445	37402	41896
2. Other debtors		5044	2414	7177	3435
3.Company-capital-not-paid up			1095		1558
<b>II TOTAL</b>	3.	<i>31330</i>	<i>32954</i>	<i>44579</i>	<i>46889</i>
III Cash funds		307207	226671	437116	322524
<b>2.Current assets total</b>		<b>553257</b>	<b>491117</b>	<b>787213</b>	<b>698796</b>
<b>BALANCE</b>		<b>763784</b>	<b>711503</b>	<b>1086766</b>	<b>1012377</b>

LIABILITIES	App endx .No.	31.12. 2005. LVL	31.12. 2004. LVL	31.12. 2005. EUR	31.12. 2004. EUR
<b>1.Equity capital</b>					
1. Company capital (stock capital)		438000	438000	623218	623218
2. Reserves:					
a) other reserves		188582	144379	268328	205433
3. Retained earnings:					
a) brought forward from previous years					
b) brought forward from profit and loss account for the current financial year		86423	92783	122969	132018
<b>1.Equity capital total</b>		<b>713005</b>	<b>675162</b>	<b>1014515</b>	<b>960669</b>
<b>2.Creditors</b>					
I short term liabilitiesw:					
1. Suppliers of goods and services		6203	5405	8826	7690
2. Taxes and social security payments		15322	11413	21801	16239
3. Other creditors		6886	5623	9798	8001
4. Next period incomes		11203	13900	15940	19778
5. Accruals		11165		15886	
II TOTAL	4	50779	36341	72251	51708
<b>BALANCE</b>		<b>763784</b>	<b>711503</b>	<b>1086766</b>	<b>1012377</b>

**PROFIT OR LOSS STATEMENT**  
(TURNOVER COSTS METHOD)

Nr. p. k	Name	App dx No.	For year 2005 LVL	For year 2004 LVL	For year 2005 EUR	For year 2004 EUR
1.	Net turnover	5	542805	518787	772342	738167
2.	Distribution costs of the sold production	6	(397452)	(351666)	(565523)	(500376)
3.	Gros profit or loss		145353	167121	206819	237791
4.	Distribution costs		(60655)	(44853)	(86304)	(63820)
5.	Administrative costs		(85933)	(76800)	(122272)	(109276)
6.	Other operating income	7	118040	61508	167956	87518
7.	Other operating costs	8	(29304)	(6856)	(41696)	(9755)
8.	Other interests receivable and similar income		806	440	1147	626
9.	Profit or loss before extraordinary items and taxes		88307	100560	125650	143084
10	Tax on profit or loss for the financial year		(1073)	(6754)	(1527)	(9610)
11	Other taxes	9	(811)	(1023)	(1154)	(1456)
12	Profit or loss for the financial year after taxes		86423	92783	122969	132018
13	Profit on 1 stock EPS		0.197	0.212	0.197	0.212

## CASH FLOW OVERVIEW

Nr. p. k	Cash income and costs	For Year 2005 LVL	For Year 2004 LVL	For Year 2005 LVL	For Year 2004 LVL
<b>1.</b>	<b>Cash flow of company`s operations</b>				
	<u>1.1. Profit or loss before extraordinary items and taxes</u>	<b>88307</b>	<b>100560</b>	<b>125649</b>	<b>143084</b>
	Corrections:				
	a) depreciation of fixed assets	<b>26956</b>	<b>22737</b>	<b>38355</b>	<b>32352</b>
	b) loss from calculated changes of currency exchange rates	<b>-1568</b>	<b>-2423</b>	<b>-2231</b>	<b>-3448</b>
	<u>1.2. Profit of the operations of the financial year</u>	<b>113695</b>	<b>120874</b>	<b>161773</b>	<b>171988</b>
	Corrections:				
	a) increase of the left – over of debtors` debts	<b>-1624</b>	<b>-14050</b>	<b>-2311</b>	<b>-19991</b>
	b) decrease of stock left -over	<b>16772</b>	<b>12171</b>	<b>23865</b>	<b>17318</b>
	c) decrease of creditors` debtd left -over	<b>14438</b>	<b>-6079</b>	<b>20543</b>	<b>-8650</b>
	<u>1.3. Income from company`s operations over costs</u>	<b>143281</b>	<b>112916</b>	<b>203870</b>	<b>160665</b>
	<u>1.4. Expenses for taxes</u>	<b>-38011</b>	<b>-29148</b>	<b>-54086</b>	<b>-41474</b>
	<u>1.5. Cash flow before extraordinary items</u>	<b>105270</b>	<b>83768</b>	<b>149786</b>	<b>119191</b>
	<u>1.6. Income from extraordinary items</u>				
	<u>1.7. After – tax earnings from operation</u>	<b>105270</b>	<b>83768</b>	<b>149786</b>	<b>119191</b>
<b>2.</b>	<b>Investment operations cash flow</b>				
	2.1. Costs for purchasing fixed assets	<b>-43492</b>	<b>-18495</b>	<b>-61884</b>	<b>-26315</b>
	2.2. Income from sales of fixed assets	<b>61752</b>	<b>10793</b>	<b>87865</b>	<b>15357</b>
	2.3. Interest income	<b>806</b>	<b>440</b>	<b>1147</b>	<b>626</b>
	<u>2.4. After –tax expenses of investment operations</u>	<b>19066</b>	<b>-7262</b>	<b>27128</b>	<b>-10332</b>
<b>3.</b>	<b>Financial operation cash flow</b>				
	3.1. Expenses for withdrawing dividends	<b>-43800</b>	<b>-29710</b>	<b>-62322</b>	<b>-42274</b>
	<u>3.2. After –tax expenses of financial operations</u>	<b>-43800</b>	<b>-29710</b>	<b>-62322</b>	<b>-42274</b>
<b>4.</b>	<b>Increase or decrease of cash net</b>	<b>80536</b>	<b>46796</b>	<b>114592</b>	<b>66585</b>
<b>5.</b>	<b>Cash left - over at the beginning of the financial year</b>	<b>226671</b>	<b>179875</b>	<b>322524</b>	<b>255939</b>
<b>6.</b>	<b>Cash left – over at the end of financial year</b>	<b>307207</b>	<b>226671</b>	<b>437116</b>	<b>322524</b>

## OVERVIEW OF CHANGES OF EQUITY CAPITAL

Item	Stock capital LVL	Reserve LVL	Undrawn profit LVL	TOTAL LVL	Stock capital EUR	Reserve EUR	Undrawn profit EUR	TOTAL EUR
<b>Left –over 31.12.2003.</b>	<b>438000</b>	<b>98999</b>	<b>88977</b>	<b>625976</b>	<b>623218</b>	<b>140863</b>	<b>126603</b>	<b>890684</b>
2004. year profit			92783	92783				132018
2003.year undrawn profit		45380	(45380)			64570	(64570)	
2003.gada dividends			(29710)	(29710)			(42274)	(42274)
Gifts and grants			(13887)	(13887)			(19759)	(19759)
<b>Left –over 31.12.2004.</b>	<b>438000</b>	<b>144379</b>	<b>92783</b>	<b>675162</b>	<b>623218</b>	<b>205433</b>	<b>132018</b>	<b>960669</b>
<b>Left –over 31.12.2004.</b>	<b>438000</b>	<b>144379</b>	<b>92783</b>	<b>675162</b>	<b>623218</b>	<b>205433</b>	<b>132018</b>	<b>960669</b>
2005. year profit			86423	86423			122969	122969
2003.year undrawn profit		44203	(44203)			62895	(62895)	
2004.year dividends			(43800)	(43800)			(62322)	(62322)
Gifts and grants			(4780)	(4780)			(6801)	(6801)
<b>Left –over 31.12.2005.</b>	<b>438000</b>	<b>188582</b>	<b>86423</b>	<b>713005</b>	<b>623218</b>	<b>268328</b>	<b>122969</b>	<b>1014515</b>

## **APPENDIX TO FINANCIAL REPORT**

### *I Book –keeping policy*

#### *1. General principles*

Annual report is made accordingly Latvian book –keeping principles.

Profit or loss statement is made accordingly turnover costs model.

Cash flow overview is made stating main operation cash flow using the indirect method.

Comparing to the previous financial year accounting and evaluation methods have not been changed.

Computer program “OFFICE LINE 2000” is used in accounting and book -keeping.

Financial report items are evaluated accordingly such principles:

1) taking into consideration that company is continuing its operations;

2) using the same evaluation methods as in the previous year;

3) evaluation is made with adequate circumspection:

- only by the balance date gained profit is included in the report,

- all estimated risk and loss amounts that can appear during the

financial year or years before, also then if they appear during the period between the balance date and financial report day have been taken into consideration,

- all value decreasing and depreciation amounts are taken into

consideration independently if the financial year ends with profit or loss .

4) profit and loss statement includes all income or expenses not taking into consideration their dates of payment, receiving of invoice or invoice issue date. Costs and income are balanced with financial periods.

5) items of parts of assets and liabilities are evaluated separately;

6) balance of the beginning of this financial year is equal with balance of the end of last year;

7) there are stated all items that might influence the evaluation of users or making conclusions;

8) all company`s activities are booked and shown in the financial report, taking into consideration the economical content and essential, not only the legal form.

#### *2. Admission of income and net turnover*

Net turnover consists of income from main activities, except VAT. Income and expenses are accounted at the moment of their appearance or when legal rights on them appear.

#### *3. Fixed assets*

Fixed assets of Stock company “Kurzemes CMAS” are evaluated on their purchasing price, excluding depreciation. Investments that operation period exceeds one year and their value exceeds Ls 50.00 are included into fixed assets.

Depreciation in stock company “Kurzemes CMAS” are calculated accordingly



confirmed parameters:

buildings	20 un 50 years
technological equipment , machinery	5; 6 un 7 years
inventory	5 un 10 years
accounting equipment, etc..	5 years

#### *4. Debtors and creditors*

Debtors` debts in balance are stated in net value ,deducting special accumulations for doubtful debt. Special accumulation for doubtful debts are arranged in cases when administration considers that the recovering of those debts are doubtful. All amounts of debtors` debts in balance are expected to be received during one year after the date of balance.

Stated hopeless debtors` debts are written – off in loss of the financial year, or, if there was accumulation before, then decreasing accumulation.

All creditors` debts have to be paid during one year. All tax debts in budget balance are for the currant month.

#### *5. Stocks*

All values of raw materials a/s “Kurzemes CMAS” are evaluated accordingly their purchasing prices. Production in progress is evaluated accordingly the real production costs. . The finished goods are evaluated accordingly the production costs. For calculation of stock value the average weight method is used (FIFO method). Old stock, slow turnover or second choice depreciation is written down in financial period costs

#### *6. Income tax of the company*

Costs of the income tax of the financial year are calculated accordingly the regulations of the republic of Latvia.

The company is operating with agriculture production. A big part of the profit consists of the state and EU finances, that don` t pay income tax (UIN 6.panta 4.d.2.p.), as well as get easements for land used for agriculture needs (UIN 18.p). There are not estimated incomes with VAT in coming years, so the deferred income tax has not been calculated.

#### *7. Conversing of foreign currency into Lats*

Latvian Lat is the currency unit and united value that is used in the financial report and book –keeping.

All deals in foreign currency are booked accordingly the currency rate of the Bank of Latvia at the date of the deal. All foreign cash means at the end of the year are evaluated accordingly the exchange rate of the Latvian bank on the last day of the financial year.

<b>Currency</b>	<b>31.12.2005</b>	<b>31.12.2004</b>
USD	0.593	0.516
EUR	0.702804	0.702804

Profit or loss gained as the result of changes of the currency exchange is shown in profit or loss statement.

## 8. Cash and its equivalents

Cash and its equivalents consists of cash money and left –over in bank accounts

## 9. Subsidies, dotations, EU funds

Received means of SAPARD are accounted as income in progress that are gradually included into income for SAPARD purchased fixed assets during the useful period of usage.

### II Explanations to the balance on December 31<sup>st</sup>, 2005 Intangible assets movement overview (Note No. 1)

<i>Index</i>	<i>Computer programs</i>
<b><i>Start value</i></b>	
<b>31.12.2004.</b>	<b>0</b>
Purchased 2005.	959
Liquidation 2005.	
<b>31.12.2005</b>	<b>959</b>
<b><i>Depreciation</i></b>	
<b>31.12.2004.</b>	
Calculated 2005.	
Excluded 2005.	
<b>31.12.2005.</b>	
<b>Balance value on 31.12.2004</b>	<b>959</b>
<b>Balance value on 31.12.2005.</b>	<b>959</b>

### Fixed assets movement overview (Note No. 2)

<i>Index</i>	<i>Plots of land</i>	<i>Buildings</i>	<i>Technological equipment</i>	<i>Other fixed assets</i>	<i>TOTAL</i>
<b><i>Start value</i></b>					
<b>31.12.2004.</b>	<b>30375</b>	<b>124525</b>	<b>227732</b>	<b>20188</b>	<b>402820</b>
Purchased 2005.	4000		38075	1454	43529
Liquidated 2005.		34121	10267	371	44759
Re –classified 2005.					
Re –valuated 2005.					
<b>31.12.2005</b>	<b>34375</b>	<b>90404</b>	<b>255540</b>	<b>21271</b>	<b>401590</b>
<b><i>Depreciation</i></b>					
<b>31.12.2004.</b>		<b>17466</b>	<b>155232</b>	<b>12216</b>	<b>184914</b>
Calculated 2005.		1714	22506	2636	26856
Excluded 2005.		5351	11541	376	17268

Re -classified 2005.					
<b>31.12.2005.</b>		<b>13829</b>	<b>166197</b>	<b>14476</b>	<b>194502</b>
<b>Balance value on 31.12.2004</b>	<b>30375</b>	<b>107059</b>	<b>72500</b>	<b>7972</b>	<b>217906</b>
<b>Balance value on 31.12.2005.</b>	<b>34375</b>	<b>76575</b>	<b>89343</b>	<b>6795</b>	<b>207088</b>

### Stock capital

Nominated name stocks 438 000 with value 1 LVL , total amount 438000 LVL

Nr. p. k.		31.12.05. LVL	31.12.04. LVL	31.12.05 EUR	31.12.04 EUR
<b>3.</b>	<b>Debtors</b>				
	3.1. Value of trade debts	28152	41175	40057	58587
	Accumulation for doubtful debts	1866	11730	2655	16690
	Balance of trade debts	<b>26286</b>	<b>29445</b>	<b>37402</b>	<b>41897</b>
	3.2. Income tax over -paid	4855	2176	6908	3096
	3.3. Accounts for in advance used amounts	189	238	269	339
	<b>TOTAL</b>	<b>31330</b>	<b>32954</b>	<b>7177</b>	<b>3435</b>
<b>4.</b>	<b>Short term creditors</b>				
	4.1. Suppliers of goods and services	6203	5405	8826	7690
	4.2. Accounts with budgeted for VAT	2413	3031	3433	4313
	4.3. Accounts with budget for income tax	5027	3304	7153	4701
	4.4. Accounts with budget for social security	7882	5078	11215	7225
	4.5. Accounts with advance cash	83	67	118	95
	4.6. Accounts with salaries	6803	5556	9680	7906
	4.7. SAPARD means	11203	13900	15940	19778
	4.8. Accumulation for vacation liabilities	11165		15886	
	<b>TOTAL</b>	<b>50779</b>	<b>36341</b>	<b>72251</b>	<b>51708</b>

### III Explanation to „Profit and loss statement”

Nr. p. k.	Index	For Year 2005 LVL	For Year 2004. LVL	For Year 2005 EUR	For Year 2004. EUR
<b>5</b>	<b>Net turnover:</b>				
	5.1. Animals` sperm	394036	340359	560663	484287
	5.2. Artificial insemination services	47068	41590	66972	59177
	5.3. Cattle and other production	12933	14382	18402	20464

	5.4. Others	88768	122456	126305	174239
	<b>TOTAL</b>	<b>542805</b>	<b>518787</b>	<b>772342</b>	<b>738167</b>
<b>6</b>	<b>Sales costs of sold production</b>				
	6.1. Salaries	152080	130479	216391	185655
	6.2. Social insurance	35685	30669	50775	43638
	6.3. Feed costs	18406	18301	26189	26040
	6.4. Fuel costs	36966	29436	52598	41884
	6.5. Electricity costs	5130	7210	7299	10259
	6.6. Telecommunication costs	6479	9012	9219	12823
	6.7. Repair work costs	39431	32430	56105	46144
	6.8. Other costs	103275	94129	146947	133933
	<b>TOTAL</b>	<b>397452</b>	<b>351666</b>	<b>565523</b>	<b>500376</b>
<b>7</b>	<b>Other income of operations</b>				
	7.1. Realization of fixed assets	61752	10793	87865	15357
	7.1.Akc. tax for l/s used DD				
		4579	3648	6515	5191
	7.3. ZM subsidies	49569	42448	70531	60398
	7.4. Currency exchange rate changes	2140	4567	3045	6498
	7.5. Income from deals with certificates		52		74
	<b>TOTAL</b>	<b>118040</b>	<b>61508</b>	<b>167956</b>	<b>87518</b>
<b>8</b>	<b>Other operation expenses</b>				
	8.1. Left –over value of fixed assets	28700	4522	40836	6434
	8.2. Changes in currency exchange rate	572	2144	814	3051
	8.3. Other costs	32	190	46	270
	<b>TOTAL</b>	<b>29304</b>	<b>6856</b>	<b>41696</b>	<b>9755</b>
<b>9</b>	<b>Other taxes</b>				
	9.1. Nature resource tax	111	212	158	302
	9.2. Real estate tax	700	670	996	953
	9.3. Punishments and penalties		141		201
	<b>TOTAL</b>	<b>811</b>	<b>1023</b>	<b>1154</b>	<b>1456</b>

#### *IV General information*

In year 2005 in stock company “Kurzemes CMAS” there were employed in average 51 employees, earning total amount of salaries Ls 150300. Social tax from this amount is calculated Ls 36288 .

In year 2005. the company has paid taxes:

<i>Tax</i>	<i>Left – over on 31.12.2004</i>	<i>Calculated In 2005</i>	<i>Paid in 2005</i>	<i>Left –over on 31.12.2005</i>
Company income tax	- 2175.56	1073.00	3752.03	- 4854.59

Value added tax	3031.22	62004.42	62622.12	2413.52
Social tax	5077.66	49286.79	46482.10	7882.35
Inhabitants' income tax	3303.89	30065.69	28343.05	5026.53
Nature resource tax		111.22	111.22	
Property tax		699.93	699.93	
Risk tax		235.55	235.55	
<b>TOTAL</b>	<b>9237.21</b>	<b>143476.60</b>	<b>142246.00</b>	<b>10467.81</b>

Monthly payment that consists of minimum salary is stated for council and board members.

Company has no deals with associated parts. Company has not issued guarantees, warranties and mortgages.

Board chairman:

Gatis Kaķis

Board members:

Guntis Ķigulis

Vilma Maļinovska

### Auditor's conclusion

To AS "Kurzemes ciltslietu un mākslīgās  
apsēklošanas stacija" share holders

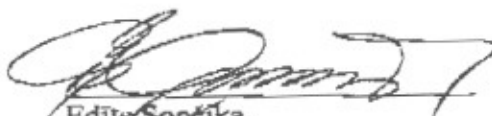
We have made the audit of financial report of AS "Kurzemes ciltslietu un mākslīgās apsēklošanas stacija" (further - company), reg. No. 40003017085, for period from January 1, 2005 to December 31, 2005, that is shown on pages 5 to 15. The report consists of the balance of the company on December 31, 2005, profit or loss statement of above mentioned period, overview of the changes of equity capital, cash flow overview and appendix. Administration are responsible for the financial report. We are responsible for conclusion on this financial report, the conclusion is made and based on audit made by us.

The audit was done accordingly International audit standarts. These standarts demand to arrange and do audit with aim to get enough provements that financial report is free of important mistakes. Audit includes the amount shown in the financial report and explanations, book-keeping documents on random selection. Audit includes also book-keeping principles used in financial report and important evaluation of administration assumptions. We think that the audit gives full principles to our conclusion.

In our opinion the applied financial report shows clear and real idea about financial situation of the company on December 31, 2005, as well as about cash flow during the above mentioned period accordingly the demands of the Law of the Republic of Latvia „About annual reports”.

We have acquainted with administration report on pages 4, and we have not found distrepancies in information given in this report and financial report.

March 31, 2006



Edīte Sončika,  
swarded auditor, licence No. 1

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