

Stock company

***„KURZEMES CILTSLIETU UN
MĀKSLĪGĀS APSĒKLOŠANAS STACIJA”
Reg.No. 40003017085***

***ANNUAL REPORT
Year 2006
On December 31, 2006***

Jaunpils parish, Tukums district

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Information about company

Name of the company	“Kurzemes ciltslietu un mākslīgās apsēklošanas stacija” a/s
Legal status	Stock company
Registration No., place, date	000301708 Rīga, 1991. gada 6.augustā Veikta pārreģistrācija Komercreģistrā 2004 gada 7. aprīlis ar vienoto reģistrācijas numuru 40003017085
Address	Jaunpils Tukuma rajons LV-3145 Latvija
Major share holders	Latvian Animal Breed Association SIA (37%) Gunārs Veska (10%) State Social Insurance Agency/ VAS (5%)
Names and positions of Board members	Gatis Kaķis – Chairman of the Board Vilma Maļinovska – Member of the Board Guntis Ķigulis – Member of the Board Gunārs Veska –Chairman of the Council
Names and positions of council members	Indra Martinsone – Member of the Council Guna Seska – Member of the Council Nora Vildberga – Member of the Council Juris Kalita – Member of the Council Haralds Mozgirs – Member of the Council Rihards Stumburs – Member of the Council
Annual year	January 1st –December 31st, 2006
Name and address of the sworn auditor	E.Sončikas zvērināta revidenta birojs Rīgas iela 9 Saldus, LV-3801 Latvija Responsible sworn auditor: Edīte Sončika Sworn auditor certificate Nr. 1

Administration report

Activities

1. Production and realization of sperm of high quality getters (boars and bulls);
2. Services on pedigree and artificial insemination;
3. Breeding and realization of horse breed ;
4. Collection of milk controlling standards;
5. Cultivation of grain and agriculture services.

Activities during annual year

Netto turnover in 2006 was Ls 634342 (EUR 902592), that was for 16.9 % more than in 2005. Profit of the stock company after paying taxes Ls 119979 (EUR 170716), that is Ls 33556 (EUR 47746) or 38.8 % higher than in previous annual year. Profit on one share is EPS Ls (Ls 0.197 in 2005).

Received subsidies from the state and EU during the annual year Ls 61280 (EUR 87194). Subsidies received for purchasing getter material abroad , keeping getter animals and paying for EU sites.

In 2006 company bought fixed assets for Ls 42651, including motor transport for Ls 29546, technological equipment for laboratories Ls 3611 , agriculture machinery and tools for Ls 8386, Office equipment for Ls 1108. Company has bought earlier rented land (28 ha) and extra land 12 ha.

Research and development activities

No

Branches and departaments abroad

No

Financial risk management

Company is subjected to differenet financial risks, including credit risk, risks of changes of foreign currency rates and interest rates

Management of the company tries to minimize potential negative impact of financial risks on financial status of the company.

Company is subjected to the risk of changes of currency exchange rates of different currencies. Since January 1st, 2005, Latvian lat has been fixed to EURO , so lat/euro exchange rate will be limited, and serious impact is not foreseen on further period financial results. The mangement of the company are looking for risk limitation instrument to decrease impact of USA dollar exchange rate changes. .

Financial means that potentially subject the company under credit risk level are mainly cash and debts of customers. At the end of annual year company was not subjected to significant credit risk level because none of debts exceed 5% of the total amount of customers debts. The company has started and follows credit policy, selling goods on credit only to customers with positive credit experience and not exceeding the planned credit amount. Customers debts are stated in recovering amounts. Partners in cash operations are local financial institutions with proper credit experience. Company follows cautious liquidity risk management,promoting proper credit resources to fullfill liabilities. Administration of the company considers that company will have enough cash resources that the liquadity will not be endangered.

AS KURZEMES CMAS 2006.GADA PĀRSKATS

Conditions and activities after the end of annual year

In period since the last day of the annual report until the signing this report any significant activities that might impact the result, are not fixed

Board has come with proposal of allocation of profit

	2006
	Ls
Distributable profit of the annual period	119 979
Proposals for allocation:	
Dividendes for share holders	43 800
Transfer to reserve fund stated by statute	0
Leave not distributed	76 179
	<hr/> 119979

Future perspective

1. Keep on technological modernization of the laboratory.
2. Repair office, laboratory and production rooms.
3. To continue developing cultivation of grain, buy extra land for agriculture.
4. To continue developing pedigree services
5. To pretend on state subsidies to cover part of expenses for keeping high quality getter bulls, and pay other costs accordingly subsidy regulations.

Gatis Kaķis
Chairman of the board

Vilma Maļinovska
Member of the Board

Guntis Ķigulis
Member of the Board

March 9th, 2007, Jaunpils

Annual report has been confirmed by share holders` meeting 2007, _____. _____

Chairman of the meeting _____

PROFIT OR LOSS STATEMENT
(on turnover cost method)

No	Item	No. of app.	Year 2006 LVL	Year 2005 LVL	Year 2006 EUR	Year 2005 EUR
1.	Net turnover	11.	634342	542805	902587	772342
2.	Selling costs of finished goods	12.	(408488)	(397452)	(581226)	(565523)
3.	Gross profit or loss		225854	145353	321361	206819
4.	Selling costs		(73036)	(60655)	(103921)	(86304)
5.	Administration costs		(96134)	(85933)	(136786)	(122272)
6.	Other operating income	13.	72974	88768	103832	126305
7.	Other operating costs	14.	(2765)	(32)	(3934)	(45)
8.	Other interests receivable and similar income		679	806	966	1147
9.	Profit or loss before extraordinary items and taxes		127572	88307	181518	125650
10	Tax on profit for the financial year		(6892)	(1073)	(9806)	(1527)
11	Other taxes	15.	(701)	(811)	(997)	(1154)
12	Profit or loss for the financial year after taxes		119979	86423	170715	122969
13	Profit on 1 share EPS		0.274	0.197	0.390	0.281

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March 9 th,2007

Appendixes on pages 11 to 17 is a part of the financial report.

BALANCE on December 31st, 2006

ASSETS	NO .of app .	31.12. 2006. LVL	31.12. 2005. LVL	31.12. 2006. EUR	31.12. 2005. EUR
1.Long term assets					
I Intangible assets:					
1.Concessions, patents, licences, trade marks and others		959	959	1364	1364
I TOTAL	1.	959	959	1364	1364
II Tangible assets:					
1. Land and buildings, perennial plants		109355	110950	155598	157868
2. Equipment and machinery		99384	89343	141411	127124
3. Other fixtures and fittings, tools and equipment		7307	6795	10397	9668
4. Advance payment for land		40000		56915	
II TOTAL	2.	256046	207088	364321	294660
III Long term financial assets					
1. Other securities and capital participation		2480	2480	3529	3529
III TOTAL	3.	2480	2480	3529	3529
IV Biological assets					
1. Getter animals		96049	90193	136665	128332
IV TOTAL	4.	96049	90193	136665	128332
Long term assets total		355534	300720	505879	427885
2.Current assets					
I Stocks:					
1. Raw materials and consumables	5.	17885	14362	25448	20435
2. Work in progress	6.	1362	1362	1938	1938
3.Finished goods and goods for resale	7.	136859	89716	194733	127654
4. Productive animals	8.	22438	19087	31927	27159
I TOTAL		178544	124527	254046	177186
II Debtors:					
1. Trade debtors		29028	26286	41303	37402
2. Other debtors		220	5044	313	7177
II TOTAL	9.	29248	31330	41616	44579
III Cash funds		300948	307207	428210	437116
Current assets total		508740	463064	723872	658881
BALANCE		864274	763784	1229751	1086766

Appendixes on pages 11 to 17 is a part of the annual report

AS KURZEMES CMAS 2006.GADA PĀRSKATS

LIABILITIES	No. of app	31.12. 2006. LVL	31.12. 2005. LVL	31.12. 2006. EUR	31.12. 2005. EUR
1.EQUITY CAPITAL					
1. Company capital (share capital)		438000	438000	623218	623218
2. Reserves:					
a) Other reserves		188582	188582	268328	268328
3. Retained earnings:					
a) brought forward from previous years		57300		81530	
b) brought forward from profit and loss account for the current annual year		119979	86423	170715	122969
Provision for liabilities and charges total		803861	713005	1143791	1014515
2.Creditors					
I Short term creditors:					
1.Suppliers of goods and services		3346	6203	4761	8826
2.Company income tax		2037		2899	
3.Taxes and social security payments		24169	15322	34389	21801
4. Other creditors		10762	6886	15313	9798
5. Next period income		5808	11203	8264	15940
6. Accumulated liabilities		14291	11165	20334	15886
II TOTAL	10.	60413	50779	85960	72251
BALANCE		864274	763784	1229751	1086766

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OVERVIEW OF OWN CAPITAL CHANGES

Item	Share capital LVL	Reserves LVL	Not distributed profit LVL	TOTAL L LVL	Share capital EUR	Reserves EUR	Not distributed profit EUR	TOTAL EUR
Left –over 31.12.2004 .	438000	144379	92783	675162	623218	205433	132018	960669
2005- profit			86423	86423			122969	122969
2004.-.not distributed profit		92783	(92783)			132018	(132018)	
2004 -dividends		(43800)		(43800)		(62322)		(65708)
Gifts and benefits		(4780)		(4780)		(6801)		
Left –over 31.12.2005 .	438000	188582	86423	713005	623218	268328	122969	1014515
Left –over 31.12.2005 .	438000	188582	86423	713005	623218	268328	122969	1014515
2006- profit			119979	119979			170715	170715
2005- dividends			(21900)	(21900)			(31161)	(31161)
Gifts and benefits			(7223)	(7223)			(10278)	(10278)
Left –over 31.12.2006 .	438000	188582	177279	803861	623218	268328	252245	1143791

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CASH FLOW OVERVIEW

No	Items of incomes and costs	Year 2006 LVL	Year 2005 LVL	Year 2006 EUR	Year 2005 EUR
1.	Cash flow from operating activities				
	<u>1.1 Profit or loss before extraordinary posts and taxes</u>	127572	88307	181519	125649
	Corrections:				
	a) depreciation of fixed assets	30211	26956	42986	38355
	b) Loss from changes of foreign currency exchange rate	-827	-1568	-1177	-2231
	<u>1.2. Profit from operating activities of the annual year</u>	156956	113695	223328	161773
	Corrections:				
	a) increase of left –overs of debtors debts	-2082	-1624	-2962	-2311
	b) decrease of stock	-54017	16772	-76859	23865
	c) decrease of creditors debts	-9634	14438	-13708	20543
	<u>1.3. Income from operating activities exceed over expenses</u>	91223	143281	129799	203870
	<u>1.4. Cash paid for taxes</u>	-35173	-38011	-50047	-54086
	<u>1.5. Cash flow before extraordinary posts</u>	56050	105270	79752	149786
	<u>1.6. Income from extraordinary posts</u>				
	<u>1.7. Net income from operating activities</u>	56050	105270	79752	149786
2.	Investments cash flow				
	2.1. Costs for fixed assets	-42651	-43492	-60687	-61884
	2.2. Income from sold fixed assets	1563	61752	2224	87865
	2.3. Income from interest	679	806	966	1147
	<u>2.4. Net costs of investment activities</u>	-40409	19066	-57497	27128
3.	Financial activity cash flow				
	3.1. Costs for dividends	-21900	-43800	-31161	-62322
	<u>3.2. Net costs of financial activities</u>	-21900	-43800	-31161	-62322
4.	Increase or decrease of net cash	-6259	80536	-8906	114592
5.	Left –over in the beginning of annual year	307207	226671	437116	322524
6.	Left –over in the end of annual year	300948	307207	428210	437116

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APPENDIX TO THE ANNUAL REPORT

I Book –keeping policy

1.General principles

Annual report is made accordingly the laws of the Republic of Latvia “About book -keeping” and “About annual reports of companies”, and accordingly Latvian book –keeping standards. Following Latvian book –keeping standards have been taken into consideration when preparing this annual report: 1. „Basic statements of preparing annual reports”, 2. “Cash flow overview”, 3.“Events and activities after balance date”.

Profit or loss statement has been prepared accordingly turnover cost scheme.

Cash flow overview was prepared stating operating cash flow after indirect method.

Comparing to the last year accounting and evaluating methods have not been changed.

Computer program “OFFICE LINE 2000” has been used for accounting in book -keeping.

Posts of the financial report are evaluated accordingly following principles:

1) taking into consideration that company will continue its activities;

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

3)evaluation was made taking into consideration several terms:

-profit included into report was gained by the balance date,

- all foreseen risk amounts and loss that arised during the annual year or in previous years were taken into consideratio, as well as if they appear between balance date and preparation of annual report,

- all value decrease and depreciation amounts were taken into consideration seperately from the year results with profit or loss.

4) all incomes and costs are included in profit or loss statement independently of purchase, invoice date;

5) assets and liabilities were evaluated seperately;

6) the start balance of the annual year corresponds the end balance of the previous year;

7) all posts that might significantly impact evaluation or making conclusions of the annual report, are included;

8) all operating activities are recorded in the books and included in the annual report, taking into consideration not only the legal form but also economical content and idea.

2.Income recognition and net turnover

Net turnover is total amount of sold production and services during the year, deducting discounts and VAT. Incomes from sold goods are recognized when customer has accepted the goods accordingly the terms of delivery Incomes from services are recognized when they are provided. Incomes from dividends are recognized when legal rights arise.

3. Foreign currency exchange into lats

Latvian lat is a monetary unit used in book –keeping and annual report.

Activities and deals made in foreign currency are recorded accordingly exchange rate stated by the Latvian Bank at the moment of the deal. At the end of the year foreign currency cash is evaluated accordingly exchange rate stated by the Latvian Bank on the last day of the annual period.

Currency	31.12.2006	31.12.2005
USD	0.536	0.593
EUR	0.702804	0.702804

Profit or loss coming from currency exchange changes are shown in Profit or loss statement

4.Fixed assets

Fixed assets are recorded with the start cost, decreasing depreciation and accumulated decrease of value. Purchase value includes direct cost of the fixed assets. Purchased computer programmes licence value is included in costs that arise to put it into exploitation.

Depreciation is not calculated for land. Depreciation for other assets is calculated using linear method during the usage length of the assets. Management states following standard limits for the length of usage:

Buildings and constructions	20 and 50 years
Technological equipment and machinery	5; 6 un 7 years
Inventory	5 un 10 years
Accounting equipment ,etc..	5 years

Further costs are included in active balance value or is stated separately as asset because of high possibility that wealth from this post will give income to the company and costs of this post can be evaluated. Such costs are written off during the usage period of the asset. When capitalizing costs of the reserve part, value of changed part will be written off in profit or loss statement.

Regular repair or maintenance costs are included in the profit or loss statement of that period.

Profit or loss from fixed assets exclusion are calculated as difference between the balance value of the fixed asset and sales income, and are included in that period profit or loss statement.

5. Stocks

Raw materials a/s "Kurzemes CMAS" evaluate accordingly purchase value.. Production in progress is evaluated accordingly cost price. Finished goods are evaluated accordingly cost price. To evaluate the stock value, average weight value method is used (FIFO method). Old, slow turnover or faulty stock value decrease is written off in costs of the annual report

6. Debtors and creditors

Debtors' debts in balance are shown in amortized purchase value, decreasing accumulation for value decreasing. Accumulation for decreasing debts are made in cases when there are objective improvements that Company will not get debts refunded in full amount accordingly stated terms . Accumulation amount is difference between the amount of the debt and refunded amount.

All creditor debts have to be refunded during one year. All tax debts in budget are for the current month.

7. Subsidies, dotations, EU funds

Means that have got from SAPARD to purchase fixed assets are recorded as next period income that are included in incomes of fixed assets bought for SAPARD cash during the period of usage.

Subsidies to cover expenses are recorded in incomes in the same period when the costs were registered, if all regulations meet the requirements regarding receiving dotations.

8. Taxes

All income tax costs of the annual period are calculated accordingly regulations of the Republic of Latvia. Company's activities are agriculture production. A big part of profit is made by state and EU funds, that are not taxed with Enterprise income tax. (EIT 6.chapter 4.p.2.p.), and also easements for the land used in agriculture(EIT 18.p). Company is not planning taxed incomes in coming years, therefore deffered enterprise income tax is not calculated.

9. Accumulated liabilities for vacations

Accumulated vacation cost amount is calculated multiplying average salary/ per day during last six month with number of not used holidays.

10. Cash and its equivalents

In cash flow statement cash and its equivalents consists of cash money and left –overs of running bank accounts

11. Biological assets

Biological assets of the company are getter animals belonging to the company (getter bulls, boars, stallions and mares), that are kept to get agriculture products for sale. Biological assets are recorded accordingly purchase cost.

II INFORMATION for „Profit or loss statement”

No.	Items	Year 2006 LVL	Year 2005 LVL	Year 2006 EUR	Year 2005 EUR
1.	Net turnover:				
	11.1. Domestic animals` sperm	442259	394036	629278	560663
	11.2. Artificial insemination services	67056	47068	95412	66972
	11.3. Cattle and production	14021	12933	19950	18402
	11.4. Other	111006	88768	157947	126305

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	TOTAL	634342	542805	902587	772342
2.	Purchase costs for sold goods				
	12.1. Salaries	203204	152080	289133	216391
	12.2. social insurance tax	47649	35685	67798	50775
	12.3. Animal feed costs	18503	18406	26327	26189
	12.4. Fuel costs	40036	36966	56966	52598
	12.5. Electricity costs	4515	5130	6424	7299
	12.6. Telephones, communications	5957	6479	8476	9219
	12.7. Repair works	33276	39431	47348	56105
	12.8. Other costs	55348	103275	78754	146947
	TOTAL	408488	397452	581226	565523
3.	Other operating income				
	13.1. Realization of fixed assets		33052		47029
	13.1.Excise tax for diesel fuel used in agric.	3912	4579	5566	6515
	13.3.Subsidies from Agriculture Ministry	61280	49569	87194	70530
	13.4. Changes of currency exchange rate		1568		2231
	13.5. Income from sold certificates	3248		4621	
	13.6. Insurance refund	4434		6309	
	13.7. Dividends from Latvian Breed Animal breeding association	100		142	
	TOTAL	72974	88768	103832	126305
4.	Other operating costs				
	14.1. Left value of fixed assets	1919		2730	
	14.2. Changes of currency exchange rate	827		1177	
	14.3. Other expenses	19	32	27	45
	TOTAL	2765	32	3934	45
5.	Other taxes				
	9.1. Nature resource tax		111		158
	9.2. Property tax	701	700		996
	TOTAL	701	811	997	1154

III Information on balance on December 31st, 2006

Nr. p. k.		Start value LVL	Depreciation LVL	Current value LVL	Start value EUR	Depreciation EUR	Current value EUR
6	Intangible investments						
	1.1.Computer programms	959		959	1364		1364
	Total	959		959	1364		1364
7	Tangible assets						
	2.1. Land, buildings, perennial plants	124779	15424	109355	177544	21946	155598
	Including land	34375		34375	48911		48911
	2.2. Technological equipment and machinery	282637	183253	99384	402156	260745	141411

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	2.3. Other fixed assets and inventory	24686	17379	7307	35125	24728	10397
	2.4. Advance payment for the land	40000		40000	56915		56915
	Total	472102	216056	256046	671741	307420	364321

Nr. p. k.		31.12.06 LVL	31.12.05. LVL	31.12.06 EUR	31.12.05. EUR
8.	Long term financial assets				
	3.1. Financial assets	2480	2480	3529	3529
	TOTAL	2480	2480	3529	3529
9.	Biological assets				
	4.1. Getter bulls	56107	54431	79833	77448
	4.2. Getter boars	9687	7445	13783	10593
	4.3. Getter stallions	16802	16802	23907	23907
	4.4. Getter mares	13453	11515	19142	16384
	TOTAL	96049	90193	136665	128332
10.	Raw materials and consumables				
	5.1. Materials	9110	5108	12962	7268
	5.2. Mineral fertilizers and chemicals		2512		3574
	5.3. Fuel and lubricants	2351	2945	3345	4190
	5.4. Wood	474	238	675	339
	5.5. Building materials		121		172
	5.6. Animal feed	5950	3438	8466	4892
	TOTAL	17885	14362	25448	20435
11.	Production in progress				
	6.1. Winter crops	1362	1362	1938	1938
	TOTAL	1362	1362	1938	1938
12.	Finished goods and goods for resale				
	7.1. Frozen bulls sperm	136804	89698	194655	127629
	7.2. Boars sperm	38		54	
	7.3. Frozen stallions sperm	17	18	24	25
	TOTAL	136859	89716	194733	127654
13.	Productive animals				
	8.1. Colts and young horses	22438	19087	31927	27159
	TOTAL	22438	19087	31927	27159
14.	Debtors				
	9.1. Trade debtors	30897	28152	43962	40057
	Accumulation for debts	1869	1866	2659	2655
	Balance value of trade debts	29028	26286	41303	37402
	9.2. Overpaid company income tax		4855		6908
	9.3. Payments for advance amounts	220	189	313	269
	TOTAL	29248	31330	41616	44579
15.	Short term liabilities				
	10.1. Suppliers of goods and services	3346	6203	4761	8826
	10.2. Accounts with budget for income tax	2037		2898	
	10.2. Accounts with budget for VAT	2197	2413	3126	3433
	10.3. Accounts with budget for inhab. income tax	8763	5027	12469	7153
	10.4. Accounts with budget for social insurance tax	13152	7882	18714	11215
	10.5. Accounts with budget for nature tax	42		60	
	10.6. Accounts with budget for risk duty	14		20	
	10.5. Accounts with in advance paid amounts	558	83	794	118

AS KURZEMES CMAS 2006.GADA PĀRSKATS

	10.6. Accounts with salaries	10205	6803	14520	9680
	10.7. SAPARD means	5808	11203	8264	15940
	10.8. Accumulation for vacation	14291	11165	20334	15886
	TOTAL	60413	50779	85960	72251

IV General information

Average number of employees in a/s "Kurzemes CMAS" in 2006 was 51, receiving salaries in total amount of 203204 Ls. Calculated social tax 65556 Ls.

Following taxes were paid in 2006:

LVL

<i>Kind of tax</i>	<i>Left –over on 31.12.2005</i>	<i>Calculated in 2006</i>	<i>Paid in 2006</i>	<i>Left over on 31.12.2006</i>
Company income tax	- 4854.59	6891.70		2037.11
Value added tax	2413.52	61985.19	62201.25	2197.46
Social tax	7882.35	65555.58	60285.96	13151.97
Inhabitants income tax	5026.53	40382.66	36646.01	8763.18
Nature resource tax		60.57	18.89	41.68
Property tax		701.00	701.00	
Risk duty		216.95	202.70	14.25
TOTAL	10467.81	175793.65	160055.81	26205.65

EUR

<i>Kind of tax</i>	<i>Left –over on 31.12.2005</i>	<i>Calculated in 2006</i>	<i>Paid in 2006</i>	<i>Left –over on 31.12.2006</i>
Company income tax	- 6907.46	9806.01		2898.55
Value added tax	3434.13	88196.98	88504.41	3126.70
Social tax	11215.57	93277.19	85779.19	18713.57
Inhabitants income tax	7152.11	57459.35	52142.58	12468.88
Nature resource tax		86.18	26.88	59.30
Property tax		997.43	997.43	
Risk duty		308.69	288.42	20.27
TOTAL	14894.35	250131.83	227738.91	37287.27

Board and council members receive monthly payment -one minimum salary – for fulfilling functions. For the Chairman of the Board –two minimum salaries.

AS KURZEMES CMAS 2006.GADA PĀRSKATS

Company is free from any deals with bounded parties. Company has not issued any guaranties, warranties and pledges.

E. SONČIKAS ZVĒRINĀTA REVIDENTA BIROJS

Rīgas iela - 9, Saldus LV 3801 LATVIJA tālr./fakss: 3881020

ES**INDEPENDENT AUDITORS' REPORT****To the Shareholders of "Kurzemes ciltslietu un mākslīgās apsēklošanas stacija" AS****Report on the Financial Statements**

We have audited the accompanying financial statements on pages 6. to 17. of "Kurzemes ciltslietu un mākslīgās apsēklošanas stacija" AS which comprise the balance sheet as of 31 December 2006 and the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of the Annual Accounts Act of the Republic of Latvia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted by the Latvian Association of certified auditors. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

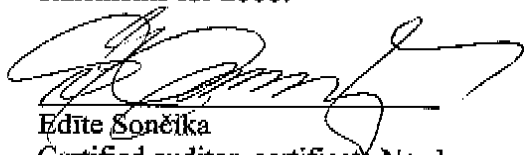
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of "Kurzemes ciltslietu un mākslīgās apsēklošanas stacija" AS as of 31 December 2006, and of its financial performance and its cash flows for the year then ended in accordance with the requirements of the Annual Accounts Act of the Republic of Latvia.

Report on the Management Report

We have read the Management Report set out on pages 4. to 5. and did not identify material inconsistencies between the financial information contained in the Management Report and that contained in the financial statements for 2006.



Edīte Sonēika
Certified auditor, certificate No. 1

Latvia, 19.03.2007