

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

Legal status **Stock company**

Registration No. **40003017085**

Date of registration in Companies` Register **August 6th, 1991**

Date of registration in Commercial Register **April 7th, 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: **01.01.2006.-31.03.2006.**

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

BALANCE on Martch 31st, 2006.

ASSETS	App endx No	31.03. 2006. LVL	31.03. 2005. LVL	31.03. 2006. EUR	31.03. 2005. EUR
1.Long term assets					
I Intangible assets:					
1. Concessions, patents, licenses, trademarks and similar rights		959	328	1364	467
I TOTAL	1.	959	328	1364	467
II Tangible assets:					
1. Land and buildings, long term plantations		110950	137434	157868	195551
2. Equipment and machinery		89996	82391	128053	117232
3. Other fixed assets and inventory		8663	8349	12326	11879
II TOTAL	2.	209609	228174	298247	324662
III Long term financial assets		2480	2480	3529	3529
1. Other securities and investments					
III TOTAL		2480	2480	3529	3529
1.LONG TERM ASSETS TOTAL		213048	230982	303140	328658
2.Current assets					
I Stocks:					
1. Raw materials and consumables		18066	12589	25706	17912
2. Work in progress		1362	1362	1938	1938
3.Finished goods and goods for resale		119973	121099	170706	172309
4. Productive animals		113725	98413	161816	140029
I TOTAL		253126	233463	360166	332188
II Debtors:					
1. Trade debtors		39850	33604	56701	47814
2. Other debtors		5367	5091	7637	7244
3. Company capital not paid up					
II TOTAL	3.	45217	38695	64338	55058
III Cash funds		264918	227245	376944	323340
2.Current assets total		563261	499403	801448	710586
BALANCE		776309	730385	1104588	1039244

LIABILITIES	App endx .No.	31.03. 2006. LVL	31.03. 2005. LVL	31.03. 2006. EUR	31.03. 2005. EUR
1.Equity capital					
1. Company capital (stock capital)		438000	438000	623218	623218
2. Reserves:					
a) other reserves		188282	144379	267901	205433
3. Retained earnings:					
a) brought forward from previous years		86423	92783	122969	132018
b) brought forward from profit and loss account for the current financial year		21933	22861	31208	32528
1.Equity capital total		734638	698023	1045296	993197
2.Creditors					
I short term liabilitiesw:					
1. Suppliers of goods and services		4402	7091	6263	10090
2. Taxes and social security payments		11841		16848	
3. Other creditors		3060	11371	4354	16179
4. Next period incomes		11203	13900	15940	19778
5. Accruals		11165		15887	
II TOTAL	4	41671	32362	59292	46047
BALANCE		776309	730385	1104588	1039244

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

Nr. p. k	Name	App dx No.	On March 31 2006 LVL	On March 31 2005 LVL	On March 31 2006 EUR	On March 31 2005 EUR
1.	Net turnover	5	127049	105590	180775	150241
2.	Distribution costs of the sold production	6	(65241)	(57026)	(92830)	(81141)
3.	Gros profit or loss		61808	48564	87945	69100
4.	Distribution costs		(15959)	(9961)	(22708)	(14173)
5.	Administrative costs		(24217)	(17309)	(34457)	(24628)
6.	Other operating income	7	831	2299	1182	3271
7.	Other operating costs	8	(2)	(156)	(3)	(222)
8.	Other interests receivable and similar income		173	109	246	155
9.	Profit or loss before extraordinary items and taxes		22634	23546	32205	33503
10	Tax on profit or loss for the financial year					
11	Other taxes	9	(701)	(685)	(997)	(975)
12	Profit or loss for the financial year after taxes		21933	22861	31208	32528
13	Profit on 1 stock EPS		0.050	0.052	0.050	0.052

CASH FLOW OVERVIEW

Nr. p. k	Cash income and costs	On Martch 31 2006 LVL	On Martch 31 2005 LVL	On Martch 31 2006 EUR	On Martch 31 2005 EUR
1.	Cash flow of company`s operations				
	<u>1.1. Profit or loss before extraordinary items and taxes</u>	22634	23546	32205	33503
	Corrections:				
	a) depreciation of fixed assets				
	b) loss from calculated changes of currency exchange rates	190	(325)	270	(462)
	<u>1.2. Profit of the operations of the financial year</u>	22824	23221	32475	33041
	Corrections:				
	a) increase of the left – over of debtors` debts	(13887)	5741	(19759)	8169
	b) decrease of stock left -over	(38406)	(1971)	(54647)	(2805)
	c) decrease of creditors` debtd left -over	9108	3979	12930	5661
	<u>1.3. Income from company`s operations over costs</u>	(20361)	30970	(28971)	44066
	<u>1.4. Expenses for taxes</u>	(20239)	(19909)	(28797)	(28328)
	<u>1.5. Cash flow before extraordinary items</u>	(40600)	11061	(57768)	15738
	<u>1.6. Income from extraordinary items</u>				
	<u>1.7. After – tax earnings from operation</u>	(40600)	11061	(57768)	15738
2.	Investment operations cash flow				
	2.1. Costs for purchasing fixed assets	(2520)	(10596)	(3586)	(15077)
	2.2. Income from sales of fixed assets	639		909	
	2.3. Interest income	192	109	273	155
	<u>2.4. After –tax expenses of investment operations</u>	(1689)	(10487)	(2404)	(14922)
3.	Financial operation cash flow				
	3.1. Expenses for withdrawing dividends				
	<u>3.2. After –tax expenses of financial operations</u>				
4.	Increase or decrease of cash net	(42289)	574	(60172)	816
5.	Cash left - over at the beginning of the financial year	307207	226671	437116	322524
6.	Cash left – over at the end of financial year	264918	227245	376944	323340

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
Left –over 31.12.2004.	438000	144379	92783	675162	623218	205433	132018	960669
2005. year profit			22861	22861			32528	32528
Left –over 31.03.2005.	438000	144379	115644	698023	623218	205433	164546	993197
Left –over 31.12.2005.	438000	188582	86423	713005	623218	268328	122969	1014515
2005. year profit			21933	21933			31208	31208
Gifts and grants		(300)		(300)		(427)		(427)
Left –over 31.03.2006.	438000	188282	108356	734638	623218	267901	154177	1045296

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.

Currency	31.03.2006	31.03.2005
USD	0.582	0.543
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 Martch 31st, 2006 Intangible assets movement overview (Note No. 1)

<i>Index</i>	<i>Computer programs</i>
<i>Start value</i>	
31.12.2005.	959
Purchased 2006.	
Liquidation 2006.	
31.03.2006	959
<i>Depreciation</i>	
31.12.2005.	
Calculated 2006.	
Excluded 2006.	
31.03.2006.	
Balance value on 31.12.2005	959
Balance value on 31.03.2006.	959

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>
<i>Start value</i>					
31.12.2005.	34375	90404	255540	21271	401590
Purchased 2006			653	1868	2521
Liquidated 2006.					
Re –classified 2006.					
Re –valuated 2006.					
31.03.2006	34375	90404	256193	23139	404111
<i>Depreciation</i>					
31.12.2005.		13829	166197	14476	194502
Calculated 2006.					

Excluded 2006.					
Re -classified 2006.					
31.03.2006.		13829	166197	14476	194502
Balance value on 31.12.2005	30375	76575	89343	6795	207088
Balance value on 31.03.2006.	34375	76575	89996	8663	209609

Stock capital

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

Nr. p. k.		31.03.06. LVL	31.03.05. LVL	31.03.06 EUR	31.03.05 EUR
3.	Debtors				
	3.1. Value of trade debts	41716	45334	59357	64504
	Accumulation for doubtful debts	1866	11730	2655	16690
	Balance of trade debts	39850	33604	56702	47814
	3.2. Income tax over -paid	4855	4990	6908	7100
	3.3. Accounts for in advance used amounts	512	101	729	144
	TOTAL	5367	5091	7637	7244
4.	Short term creditors				
	4.1. Suppliers of goods and services	4402	7091	6263	10090
	4.2. Accounts with budget for VAT	4370	3054	6218	4345
	4.3. Accounts with budget for income tax	2702	1770	3845	2518
	4.4. Accounts with budget for social security	4769	3043	6786	4330
	4.5. Accounts with advance cash	3	78	4	111
	4.6. Accounts with salaries	3057	3426	4350	4875
	4.7. SAPARD means	11203	13900	15940	19778
	4.8. Accumulation for vacation liabilities	11165		15886	
	TOTAL	41671	32362	59292	46047

III Explanation to „Profit and loss statement”

Nr. p. k.	Index	On March 31 2006 LVL	On March 31 2005 LVL	On March 31 2006 EUR	On March 31 2005 EUR
5	Net turnover:				
	5.1. Animals` sperm	95505	80854	135891	115045
	5.2. Artificial insemination services	12796	7274	18207	10350
	5.3. Cattle and other production	1257	1845	1789	2625

	5.4. Others	17491	15617	24887	22221
	TOTAL	127049	105590	180774	150241
6	Sales costs of sold production				
	6.1. Salaries	37550	28538	53429	40606
	6.2. Social insurance	9535	6757	13567	9615
	6.3. Feed costs	4263	5508	6066	7837
	6.4. Fuel costs	7943	7042	11302	10020
	6.5. Electricity costs	1567	1515	2230	2156
	6.6. Telecommunication costs	1488	1703	2117	2423
	6.7. Repair work costs	1751	3652	2491	5196
	6.8. Other costs	1144	2311	1628	3288
	TOTAL	65241	57026	92830	81141
7	Other income of operations				
	7.1. Realization of fixed assets	639		909	
	7.1.Akc. tax for l/s used DD		240		341
	7.3. ZM subsidies		1578		2245
	7.4. Currency exchange rate changes	192	481	273	685
	7.5. Income from deals with certificates				
	TOTAL	831	2299	1182	3271
8	Other operation expenses				
	8.1. Left –over value of fixed assets				
	8.2. Changes in currency exchange rate	2	156	3	222
	8.3. Other costs				
	TOTAL	2	156	3	222
9	Other taxes				
	9.1. Nature resource tax		111		158
	9.2. Real estate tax	701	574	997	817
	9.3. Punishments and penalties				
	TOTAL	701	685	997	975

President of the Board of Directors

G.Kaķis