

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.-30.06.2006.**

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 on 30 Juny 2006 is Ls 294961, profit after paying taxes is Ls 52410.

During the annual year the company has been granted with state subsidies in amount of Ls 8674. Subsidies are received for keeping of breed cattle and EU areas payments.

Investments

On 30 Juny 2006 company has purchased fixed assets for total amount Ls 18399, including transport means - Ls 14775, technological equipment for modernatization of laboratories – Ls 1108, agriculture machinery and tools – Ls 650, office equipment – Ls 1791.

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 Juny 31st, 2006.

ASSETS	App endx No	30.06. 2006. LVL	30.06. 2005. LVL	30.06. 2006. EUR	30.06. 2005. EUR
1.Long term assets					
I Intangible assets:					
1. Concessions, patents, licenses, trademarks and similar rights		959	959	1364	1364
I TOTAL	1.	<i>959</i>	<i>959</i>	<i>1364</i>	<i>1364</i>
II Tangible assets:					
1. Land and buildings, long term plantations		110950	108954	157868	155028
2. Equipment and machinery		105876	84331	150648	119992
3. Other fixed assets and inventory		8662	9301	12325	13234
II TOTAL	2.	<i>225488</i>	<i>202586</i>	<i>320841</i>	<i>288254</i>
III Long term financial assets		2480	2480	3529	3529
1. Other securities and investments					
III TOTAL		<i>2480</i>	<i>2480</i>	<i>3529</i>	<i>3529</i>
1.LONG TERM ASSETS TOTAL		228927	206025	325734	293147
2.Current assets					
I Stocks:					
1. Raw materials and consumables		12539	12132	17841	17262
2. Work in progress		1362	1362	1938	1938
3. Finished goods and goods for resale		123478	110480	175693	157199
4. Productive animals		115986	95201	165034	135459
I TOTAL		<i>253365</i>	<i>219175</i>	<i>360506</i>	<i>311858</i>
II Debtors:					
1. Trade debtors		53506	41837	76132	59529
2. Other debtors		5120	6301	7285	8966
3. Company capital not paid up					
II TOTAL	3.	<i>58626</i>	<i>48138</i>	<i>83417</i>	<i>68495</i>
III Cash funds		246456	252567	350675	359370
2.Current assets total		558447	519880	794598	739723
BALANCE		787374	725905	1120332	1032870

LIABILITIES	App endx .No.	30.06. 2006. LVL	30.06. 2005. LVL	30.06. 2006. EUR	30.06. 2005. EUR
1.Equity capital					
1. Company capital (stock capital)		438000	438000	623218	623218
2. Reserves:					
a) other reserves		185705	142149	264234	202260
3. Retained earnings:					
a) brought forward from previous years		64523	48983	91808	69697
b) brought forward from profit and loss account for the current financial year		52410	51586	74573	73400
1.Equity capital total		740638	680718	1053833	968575
2.Creditors					
I short term liabilitiesw:					
1. Suppliers of goods and services		8315	16517	11831	23501
2. Taxes and social security payments		12716	14770	18093	21016
3. Other creditors		3337		4748	
4. Next period incomes		11203	13900	15940	19778
5. Accruals		11165		15887	
II TOTAL	4	46736	45187	66499	64295
BALANCE		787374	725905	1120332	1032870

PROFIT OR LOSS STATEMENT
(TURNOVER COSTS METHOD)

Nr. p. k	Name	App dx No.	On Juny 30 2006 LVL	On Juny 30 2005 LVL	On Juny 30 2006 EUR	On Juny 30 2005 EUR
1.	Net turnover	5	294961	245935	419692	349934
2.	Distribution costs of the sold production	6	(174029)	(172059)	(247621)	(244818)
3.	Gros profit or loss		120932	73876	172071	105116
4.	Distribution costs		(31281)	(22413)	(44509)	(31891)
5.	Administrative costs		(49583)	(40428)	(70550)	(57524)
6.	Other operating income	7	14995	69253	21336	98538
7.	Other operating costs	8	(2279)	(28463)	(3243)	(40499)
8.	Other interests receivable and similar income		327	474	465	675
9.	Profit or loss before extraordinary items and taxes		53111	52299	75570	74415
10	Tax on profit or loss for the financial year		(701)	(713)	(997)	(1015)
11	Other taxes	9	52410	51586	74573	73400
12	Profit or loss for the financial year after taxes		0.120	0.117	0.170	0.166
13	Profit on 1 stock EPS		294961	245935	419692	349934

CASH FLOW OVERVIEW

Nr. p. k	Cash income and costs	On Juny 30 2006 LVL	On Juny 30 2005 LVL	On Juny 30 2006 EUR	On Juny 30 2005 EUR
1.	Cash flow of company`s operations				
	<u>1.1. Profit or loss before extraordinary items and taxes</u>	53111	52299	75570	74415
	Corrections:				
	a) depreciation of fixed assets		223		317
	b) loss from calculated changes of currency exchange rates	422	(1330)	600	(1892)
	<u>1.2. Profit of the operations of the financial year</u>	53533	51192	76170	72840
	Corrections:				
	a) increase of the left – over of debtors` debts	27296	(15184)	38839	(21605)
	b) decrease of stock left -over	(38645)	12317	(54987)	17526
	c) decrease of creditors` debtd left -over	4043	(8846)	5753	(12587)
	<u>1.3. Income from company`s operations over costs</u>	46227	39479	65775	56174
	<u>1.4. Expenses for taxes</u>	(68145)	(61105)	(96962)	(86945)
	<u>1.5. Cash flow before extraordinary items</u>	(21918)	(21626)	(31187)	(30771)
	<u>1.6. Income from extraordinary items</u>				
	<u>1.7. After – tax earnings from operation</u>	(21918)	(21626)	(31187)	(30771)
2.	Investment operations cash flow				
	2.1. Costs for purchasing fixed assets	(18399)	(13181)	(26179)	(18755)
	2.2. Income from sales of fixed assets	1139	60229	1621	85698
	2.3. Interest income	327	474	465	675
	<u>2.4. After –tax expenses of investment operations</u>	(16933)	47522	(24093)	67618
3.	Financial operation cash flow				
	3.1. Expenses for withdrawing dividends	(21900)		(31161)	
	<u>3.2. After –tax expenses of financial operations</u>	(21900)		(31161)	
4.	Increase or decrease of cash net	(60751)	25896	(86441)	36847
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	246456	252567	350675	359371

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			51586	51586			73400	73400
Gifts and grants		(2230)		(2230)		(3173)		(3173)
Dividendes			(43800)	(43800)			(62321)	(62321)
Left -over 31.03.2005.	438000	142149	100569	680718	623218	202260	143097	968575
Left -over 31.12.2005.	438000	188582	86423	713005	623218	268328	122969	1014515
2005. year profit			52410	52410			74573	74573
Gifts and grants		(2877)		(2877)		(4094)		(4094)
Dividendes			(21900)	(21900)			(31161)	(31161)
Left -over 31.03.2006.	438000	185705	116933	740638	623218	264234	166381	1053833

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
accounting equipment, etc..

5 un 10 years
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 current 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. Converting 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	30.06.2006.	30.06.2005.
USD	0.56	0.583
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 Juny 31st, 2006

Intangible assets movement overview (Note No. 1)

<i>Index</i>	<i>Computer programs</i>
<u>Start value</u>	
31.12.2005.	959
Purchased 2006.	
Liquidation 2006.	
30.06.2006	959
<u>Depreciation</u>	
31.12.2005.	
Calculated 2006.	
Excluded 2006.	
30.06.2006.	
Balance value on 31.12.2005	959
Balance value on 30.06.2006.	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>
<u>Start value</u>					
31.12.2005.	34375	90404	255540	21271	401590
Purchased 2006			16532	1867	18399
Liquidated 2006.					
Re –classified 2006.					
Re –valuated 2006.					
30.06.2006	34375	90404	272072	23138	404111
<u>Depreciation</u>					
31.12.2005.		13829	166196	14476	194502
Calculated 2006.					
Excluded 2006.					

Re -classified 2006.					
30.06.2006.		13829	166196	14476	194502
Balance value on 31.12.2005	34375	76575	89343	6795	207088
Balance value on 30.06.2006.	34375	76575	105876	8662	225488

Stock capital

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

Nr. p. k.		30.06.06. LVL	30.06.05. LVL	30.06.06 EUR	30.06.05 EUR
3.	Debtors				
	3.1. Value of trade debts	55372	53567	78787	76219
	Accumulation for doubtful debts	1866	11730	2655	16690
	Balance of trade debts	53506	41837	76132	59529
	3.2. Income tax over -paid	4855	5927	6908	8434
	3.3. Accounts for in advance used amounts	265	374	377	532
	TOTAL	5120	6301	7285	8966
4.	Short term creditors				
	4.1. Suppliers of goods and services	8315	13695	11831	19486
	4.2. Accounts with budgeted for VAT	5228	6146	7439	8745
	4.3. Accounts with budget for income tax				
		2852	2637	4058	3752
	4.4. Accounts with budget for social security				
		4771	4295	6789	6111
	4.5. Accounts with advance cash	135	7	192	10
	4.6. Accounts with salaries	3067	4507	4364	6413
	4.7. SAPARD means	11203	13900	15940	19778
	4.8. Accumulation for vacation liabilities	11165		15886	
	TOTAL	46736	45187	66499	64295

III Explanation to „Profit and loss statement”

Nr. p. k.	Index	On Juny 30 2006 LVL	On Juny 30 2005 LVL	On Juny 30 2006 EUR	On Juny 30 2005 EUR
5	Net turnover:				
	5.1. Animals` sperm	217173	189711	309009	269934
	5.2. Artificial insemination services	30451	21097	43328	30018
	5.3. Cattle and other production	8304	4810	11816	6844

	5.4. Others	39033	30317	55539	43138
	TOTAL	294961	245935	419692	349934
6	Sales costs of sold production				
	6.1. Salaries	81771	64850	116350	92273
	6.2. Social insurance	19964	15206	28406	21636
	6.3. Feed costs	8030	9068	11426	12903
	6.4. Fuel costs	18430	12820	26224	18241
	6.5. Electricity costs	2351	2783	3345	3960
	6.6. Telecommunication costs	2940	3425	4183	4873
	6.7. Repair work costs	5151	3838	7329	5461
	6.8. Other costs	35392	60069	50358	85471
	TOTAL	174029	172059	247621	244818
7	Other income of operations				
	7.1. Realization of fixed assets	1139	60229	1621	12537
	7.1.Akc. tax for l/s used DD		240		1249
	7.3. ZM subsidies	8674	7298	12342	8687
	7.4. Currency exchange rate changes	329	1486	468	778
	7.5. Income from deals with certificates	4853		6905	
	TOTAL	14995	69253	21336	98538
8	Other operation expenses				
	8.1. Left -over value of fixed assets		28277		40235
	8.2. Changes in currency exchange rate	751	156	1069	222
	8.3. Other costs	1528	30	2174	42
	TOTAL	2279	28463	3243	40499
9	Other taxes				
	9.1. Nature resource tax		111		111
	9.2. Real estate tax	701	602	997	602
	9.3. Punishments and penalties				
	TOTAL	701	713	997	1015

President of the Board of Directors

G.Kaķis