

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 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.-30.09.2006.**

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 September 2006 is Ls 492953, profit after paying taxes is Ls 86999.

During the annual year the company has been granted with state subsidies in amount of Ls 21251. Subsidies are received for keeping of breed cattle and EU areas payments.

Investments

On 30 September 2006 company has purchased fixed assets for total amount Ls 26381, including transport means - Ls 14775, technological equipment for modernatization of laboratories – Ls 1108, agriculture machinery and tools – Ls 8117, office equipment – Ls 2381.

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 September 30st, 2006.

ASSETS	App endx No	30.09. 2006. LVL	30.09. 2005. LVL	30.09. 2006. EUR	30.09. 2005. EUR
1.Long term assets					
I Intangible assets:					
1. Concessions, patents, licenses, trademarks and similar rights		959	959	1364	1364
I TOTAL	1.	959	959	1364	1364
II Tangible assets:					
1. Land and buildings, long term plantations		110950	108954	157867	155028
2. Equipment and machinery		113267	100234	161164	142620
3. Other fixed assets and inventory		9253	9372	13166	13335
II TOTAL	2.	233470	218560	332197	310983
III Long term financial assets					
1. Other securities and investments		2480	2480	3529	3529
III TOTAL		2480	2480	3529	3529
1.LONG TERM ASSETS TOTAL		236909	221999	337090	315876
2.Current assets					
I Stocks:					
1. Raw materials and consumables		19537	18926	27798	26929
2. Work in progress		1362	1362	1938	1938
3. Finished goods and goods for resale		111253	93591	158299	133168
4. Productive animals		100160	91679	142515	130447
I TOTAL		232312	205558	330550	292482
II Debtors:					
1. Trade debtors		51432	57975	73181	82491
2. Other debtors		45036	6229	64081	8863
3. Company capital not paid up					
II TOTAL	3.	96468	64204	137262	91354
III Cash funds		255285	244792	363238	348308
2.Current assets total		584065	514554	831050	732144
BALANCE		820974	736553	1168140	1048020

LIABILITIES	App endx .No.	30.09. 2006. LVL	30.09. 2005. LVL	30.09. 2006. EUR	30.09. 2005. EUR
1.Equity capital					
1. Company capital (stock capital)		438000	438000	623218	623218
2. Reserves:					
a) other reserves		185255	141999	263594	202046
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		86999	81690	123788	116234
1.Equity capital total		774777	710672	1102408	1011195
2.Creditors					
I short term liabilitiesw:					
1. Suppliers of goods and services		3890	864	5535	1229
2. Taxes and social security payments		12644	11117	17991	15818
3. Other creditors		7295		10380	
4. Next period incomes		11203	13900	15940	19778
5. Accruals		11165		15886	
II TOTAL	4	46197	25881	65732	36825
BALANCE		820974	736553	1168140	1048020

PROFIT OR LOSS STATEMENT
(TURNOVER COSTS METHOD)

Nr. p. k	Name	App dx No.	On September 30 2006 LVL	On September 30 2005 LVL	On September 30 2006 EUR	On September 30 2005 EUR
1.	Net turnover	5	492953	419455	701409	596831
2.	Distribution costs of the sold production	6	(310781)	(294358)	(442202)	(418834)
3.	Gros profit or loss		182172	125097	259207	177997
4.	Distribution costs		(45861)	(29570)	(65254)	(42074)
5.	Administrative costs		(74171)	(63476)	(105536)	(90318)
6.	Other operating income	7	27927	78550	39737	111766
7.	Other operating costs	8	(2367)	(28764)	(3368)	(40928)
8.	Other interests receivable and similar income		512	622	729	885
9.	Profit or loss before extraordinary items and taxes		87700	82459	124785	117328
10	Tax on profit or loss for the financial year		(701)	(769)	(997)	(1094)
11	Other taxes	9	86999	81690	123788	116234
12	Profit or loss for the financial year after taxes		0.199	0.187	0.283	0.266
13	Profit on 1 stock EPS		492953	419455	701409	596831

CASH FLOW OVERVIEW

Nr. p. k	Cash income and costs	On September 30 2006 LVL	On September 30 2005 LVL	On September 30 2006 EUR	On September 30 2005 EUR
1.	Cash flow of company`s operations				
	<u>1.1. Profit or loss before extraordinary items and taxes</u>	87700	82459	124785	117329
	Corrections:				
	a) depreciation of fixed assets		223		317
	b) loss from calculated changes of currency exchange rates	(510)	(1330)	(725)	(1892)
	<u>1.2. Profit of the operations of the financial year</u>	87190	81352	124060	115754
	Corrections:				
	a) increase of the left – over of debtors` debts	32264	31250	45908	44465
	b) decrease of stock left -over	(26754)	(25934)	(38068)	(36901)
	c) decrease of creditors` debtd left -over	(20316)	10460	(28907)	14883
	<u>1.3. Income from company`s operations over costs</u>	72348	97128	102993	138201
	<u>1.4. Expenses for taxes</u>	(77676)	(67904)	(110523)	(96619)
	<u>1.5. Cash flow before extraordinary items</u>	(5292)	29224	(7530)	41582
	<u>1.6. Income from extraordinary items</u>				
	<u>1.7. After – tax earnings from operation</u>	(5292)	29224	(7530)	41582
2.	Investment operations cash flow				
	2.1. Costs for purchasing fixed assets	(26381)	(29154)	(37537)	(41482)
	2.2. Income from sales of fixed assets	1139	61229	1621	87121
	2.3. Interest income	512	622	729	885
	<u>2.4. After –tax expenses of investment operations</u>	(24730)	32697	(35187)	46524
3.	Financial operation cash flow				
	3.1. Expenses for withdrawing dividends	(21900)	(43800)	(31161)	(62322)
	<u>3.2. After –tax expenses of financial operations</u>	(21900)	(43800)	(31161)	(62322)
4.	Increase or decrease of cash net	(51922)	18121	(73878)	25874
5.	Cash left - over at the beginning of the financial year	307207	116671	437116	322524
6.	Cash left – over at the end of financial year	255285	244792	363238	348308

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			81690	81690			116234	116234
Gifts and grants		(2380)		(2380)		(3387)		(3387)
Dividendes			(43800)	(43800)			(62321)	(62321)
Left -over 31.09.2005.	438000	141999	130673	710672	623218	202046	185931	1011195
Left -over 31.12.2005.	438000	188582	86423	713005	623218	268328	122969	1014515
2006. year profit			86999	86999			123788	123788
Gifts and grants		(3327)		(3327)		(4734)		(4734)
Dividendes			(21900)	(21900)			(31161)	(31161)
Left -over 31.09.2006.	438000	185255	151522	774777	623218	263594	215596	1102408

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	30.09.2006	30.09.2005
USD	0.552	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 September 30st, 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.	
30.09.2006	959
<i>Depreciation</i>	
31.12.2005.	
Calculated 2006.	
Excluded 2006.	
30.09.2006.	
Balance value on 31.12.2005	959
Balance value on 30.09.2006.	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			23925	2457	26382
Liquidated 2006.					
Re – classified 2006.					
Re –valuated 2006.					
30.09.2006	34375	90404	279465	23728	427972
<i>Depreciation</i>					
31.12.2005.		13829	166198	14476	194502
Calculated 2006.					

Excluded 2006.					
Re-classified 2006.					
30.09.2006.		13829	166198	14476	194502
Balance value on 31.12.2005	34375	76575	89343	6795	207088
Balance value on 30.09.2006.	34375	76575	113267	9253	233470

Stock capital

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

Nr. p. k.		30.09.06. LVL	30.09.05. LVL	30.09.06. EUR	30.09.05. EUR
3.	Debtors				
	3.1. Value of trade debts	53298	69706	75836	99183
	Accumulation for doubtful debts	1866	11731	2655	16692
	Balance of trade debts	51432	57975	73181	82491
	3.2. Income tax over –paid	4855	5928	6908	8435
	3.3. Accounts for in advance used amounts	181	301	258	428
	3.4. Avansa maksājums par zemi	40000		56915	
	TOTAL	96468	64204	137262	91354
4.	Short term creditors				
	4.1. Suppliers of goods and services	3890	864	5535	1229
	4.2. Accounts with budgeted for VAT	4804	2278	6836	3241
	4.3. Accounts with budget for income tax	2968	2340	4223	3330
	4.4. Accounts with budget for social security	4872	3795	6932	5400
	4.5. Accounts with advance cash	35	104	50	148
	4.6. Accounts with salaries	7260	2600	10330	3699
	4.7. SAPARD means	11203	13900	15940	19778
	4.8. Accumulation for vacation liabilities	11165		15886	
	TOTAL	46197	25881	65732	36825

III Explanation to „Profit and loss statement”

Nr. p. k.	Index	On September 30 2006 LVL	On September 30 2005 LVL	On September 30 2006 EUR	On September 30 2005 EUR
5	Net turnover:				
	5.1. Animals` sperm	343617	309153	488923	439885
	5.2. Artificial insemination services	51679	35666	73533	50748
	5.3. Cattle and other production	8786	9315	12501	13254

	5.4. Others	88871	65321	126452	92944
	TOTAL	492953	419455	701409	596831
6	Sales costs of sold production				
	6.1. Salaries	133751	103993	190311	147969
	6.2. Social insurance	31273	24822	44497	35319
	6.3. Feed costs	13283	14322	18900	20378
	6.4. Fuel costs	32688	28213	46511	40144
	6.5. Electricity costs	3170	3664	4511	5213
	6.6. Telecommunication costs	4414	4977	6280	7082
	6.7. Repair work costs	8118	5965	11551	8487
	6.8. Other costs	84084	108402	119641	154242
	TOTAL	310781	294358	442202	418834
7	Other income of operations				
	7.1. Realization of fixed assets	1139	61229	1621	87121
	7.1.Akc. tax for l/s used DD		240		341
	7.3. ZM subsidies	21251	15297	30237	21766
	7.4. Currency exchange rate changes	329	1784	468	2538
	7.5. Income from deals with certificates	5208		7411	
	TOTAL	27927	78550	39737	111766
8	Other operation expenses				
	8.1. Left –over value of fixed assets		28277		40235
	8.2. Changes in currency exchange rate	839	454	1194	646
	8.3. Other costs	1528	33	2174	47
	TOTAL	2367	28764	3368	40928
9	Other taxes				
	9.1. Nature resource tax		111		111
	9.2. Real estate tax	701	658	997	936
	9.3. Punishments and penalties				
	TOTAL	701	769	997	1094

President of the Board of Directors

G.Kaķis