

Stock company

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

**ANNUAL REPORT
Year 2007
On June 30, 2007**

Jaunpils parish, Tukums district

Contents

Information about company	3
Administration report	4
Profit or loss statement	5
Balance	6 - 7
Own capital changes	8
Cash flow	9
Appendix	10 - 15
Statement about management liability	16

	Information about company
Name of the company	“Kurzemes ciltlietu 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 Haralds Mozgirs – Member of the Board Sigita Lukaže – Member of the Board
Names and positions of council members	Gunārs Veska –Chairman of the Council Indra Martinsone – Member of the Council Guna Seska – Member of the Council Nora Vildberga – Member of the Council Vilma Maļinovska – Member of the Council Guntis Ķigulis – Member of the Council Rihards Stumburs – Member of the Council
Annual year	January 1st –June 30, 2007
Name and address of the sworn auditor	SIA „Reidentu serviss” (LV48503004370) Krasta iela 4-39 Dobele, LV-3701 Latvija Responsible sworn auditor: Aivars Rutkis Sworn auditor certificate Nr. 18

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 June 2007 is Ls 311429, profit after paying taxes is Ls 55723.

During the annual year the company has been granted with state subsidies in amount of Ls 37652. Subsidies are received for keeping of breed cattle and EU areas payments.

Investments

On 30 June 2007 company has purchased fixed assets for total amount Ls 35466, including transport means - Ls 32122, technological equipment for modernization of laboratories – Ls 632, agriculture machinery and tools – Ls 2151, office equipment – Ls 561.

Planned development activities

It is planned for year 2007:

1. To continue the technological improvements of laboratories.
2. To repair office, laboratory and production rooms.
3. In connection with fulfilling planned activities on optimization 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.

Gatis Kaķis
Chairman of the board

Sigita Lukaže
Member of the Board

Haralds Mozgirs
Member of the board

July 16 th,2007

PROFIT OR LOSS STATEMENT
(on turnover cost method)

No	Item	No. of app.	On June 30 2007 LVL	On June 30 2006 LVL	On June 30 2007 EUR	On June 30 2006 EUR
1.	Net turnover	1.	311429	294961	443123	419692
2.	Selling costs of finished goods	2.	(178244)	(174029)	(253618)	(247621)
3.	Gross profit or loss		133185	120932	189505	172071
4.	Selling costs		(48920)	(31281)	(69607)	(44509)
5.	Administration costs		(72796)	(49583)	(103579)	(70550)
6.	Other operating income	3.	45716	14995	65048	21336
7.	Other operating costs	4.	(452)	(2279)	(643)	(3243)
8.	Other interests receivable and similar income		234	327	333	465
9.	Profit or loss before extraordinary items and taxes		56967	53111	81057	75570
10	Tax on profit for the financial year					
11	Other taxes	5.	(1244)	(701)	(1770)	(997)
12	Profit or loss for the financial year after taxes		55723	52410	79287	74573
13	Profit on 1 share EPS		0.127	0.120	0.181	0.170

Gatis Kaķis
Chairman of the board

Sigita Lukaže
Member of the Board

Haralds Mozgirs
Member of the board

July 16 th,2007

Appendixes on pages 10 to 15 is a part of the financial report.

BALANCE on June 30, 2007

ASSETS	NO .of app	30.06. 2007. LVL	30.06. 2006. LVL	30.06. 2007. EUR	30.06. 2006. EUR
1.Long term assets					
I Intangible assets:					
1.Concessions, patents, licences, trade marks and others		959	959	1364	1364
I TOTAL	6.	959	959	1364	1364
II Tangible assets:					
1. Land and buildings, perennial plants		189354	110950	269426	157868
2. Equipment and machinery		134289	105876	191076	150648
3. Other fixtures and fittings, tools and equipment		7868	8662	11195	12325
4. Advance payment for assets		1009		1436	
II TOTAL	7.	332520	225488	473133	320841
III Long term financial assets					
1. Other securities and capital participation		2480	2480	3529	3529
III TOTAL	8.	2480	2480	3529	3529
IV Biological assets					
1. Getter animals		98371	92802	139969	132045
IV TOTAL	9.	98371	92802	139969	132045
Long term assets total		434330	321729	617996	457779
2.Current assets					
I Stocks:					
1. Raw materials and consumables	10.	19791	12539	28160	17841
2. Work in progress	11.	1362	1362	1938	1938
3.Finished goods and goods for resale	12.	199349	123478	283649	175693
4. Productive animals	13.	26957	23184	38356	32989
I TOTAL		247459	160563	352103	228461
II Debtors:					
1. Trade debtors		44579	53506	63430	76132
2. Other debtors		2848	5120	4052	7285
II TOTAL	14.	47427	58626	67482	83417
III Cash funds		162984	246456	231905	350675
Current assets total		457870	465645	651490	662553
BALANCE		892200	787374	1269486	1120332

Appendixes on pages 10 to 15 is a part of the annual report

AS „KURZEMES CMAS” NEREVIDĒTS 2007.gada I pusgada PĀRSKATS

LIABILITIES	No. of app	30.06. 2007. LVL	30.06. 2006. LVL	30.06 2007. EUR	30.06. 2006. EUR
1.EQUITY CAPITAL					
1. Company capital (share capital)		438000	438000	623218	623218
2. Reserves:					
a) Other reserves		188582	185705	268328	264234
3. Retained earnings:					
a) brought forward from previous years		129979	64523	184943	91808
b) brought forward from profit and loss account for the current annual year		55723	52410	79287	74573
Provision for liabilities and charges total		812284	740638	1155776	1053833
2.Creditors					
I Short term creditors:					
1.Suppliers of goods and services		30860	8315	43910	11831
2.Company income tax					
3.Taxes and social security payments		16208	12716	23062	18093
4. Other creditors		12749	3337	18140	4748
5. Next period income		5808	11203	8264	15940
6. Accumulated liabilities		14291	11165	20334	15887
II TOTAL	15.	79916	46736	113710	66499
BALANCE		892200	787374	1269486	1120332

Gatis Kaķis
Chairman of the board

Sigita Lukaže
Member of the Board

Haralds Mozgirs
Member of the board

July 16 th,2007

Appendixes on pages 10 to 15 is a part of the financial report.

OVERVIEW OF OWN CAPITAL CHANGES

Item	Share capital LVL	Reserves LVL	Not distributed profit LVL	TOTAL LVL	Share capital EUR	Reserves EUR	Not distributed profit EUR	TOTAL EUR
Left –over 31.12.2005.	438000	188582	86423	713005	623218	268328	122969	1014515
2006- profit			52410	52410			74573	74573
Gifts and benefits		(2877)		(2877)		(4094)		(4094)
Dividendes			(21900)	(21900)			(31161)	(31161)
Left –over 30.06.2006.	438000	185705	116933	740638	623218	264234	166381	1053833
Left –over 31.12.2006.	438000	188582	177279	803861	623218	268328	252245	1143791
2007- profit			55723	55723			79287	79287
Gifts and benefits			(3500)	(3500)			(4980)	(4980)
Dividendes			(43800)	(43800)			(62322)	(62322)
Left –over 30.06.2007.	438000	188582	185702	812284	623218	268328	264230	1155776

Gatis Kaķis
Chairman of the board

Sigita Lukaže
Member of the Board

Haralds Mozgirs
Member of the board

July 16 th,2007

Appendixes on pages 10 to 15 is a part of the financial report.

CASH FLOW OVERVIEW

No	Items of incomes and costs	On June 30 2007 LVL	On June 30 2006 LVL	On June 30 2007 EUR	On June30 2006 EUR
1.	Cash flow from operating activities				
	<u>1.1 Profit or loss before extraordinary posts and taxes</u>	55723	53111	79287	75570
	Corrections:				
	a) depreciation of fixed assets				
	b) Loss from changes of foreign currency exchange rate	413	422	588	600
	<u>1.2. Profit from operating activities of the annual year</u>	56136	53533	79875	76170
	Corrections:				
	a) increase of left –overs of debtors debts	(11199)	27296	(15935)	38839
	b) secrease of stock	86896	(38645)	123642	(54987)
	c) decrease of creditors debts	(33180)	4043	(47211)	5753
	<u>1.3. Income from operating activities exceed over expenses</u>	98653	46227	140371	65775
	<u>1.4. Cash paid for taxes</u>	(64497)	(68145)	(91771)	(96962)
	<u>1.5. Cash flow before extraordinary posts</u>	34156	(21918)	48600	(31187)
	<u>1.6. Income from extraordinary posts</u>				
	<u>1.7. Net income from operating activities</u>	34156	(21918)	48600	(31187)
2.	Investments cash flow				
	2.1. Costs for fixed assets	(35466)	(18399)	(50463)	(26179)
	2.2. Income from sold fixed assets	793	1139	1128	1621
	2.3. Income from interest	234	327	333	465
	<u>2.4. Net costs of investment activities</u>	(34439)	(16933)	(49002)	(24093)
3.	Financial activity cash flow				
	3.1. Costs for dividends	(43800)	(21900)	(62322)	(31161)
	<u>3.2. Net costs of financial activities</u>	(43800)	(21900)	(62322)	(31161)
4.	Increase or decrease of net cash	(44083)	(60751)	(62724)	(86441)
5.	Left –over in the beginning of annual year	207067	307207	294629	437116
6.	Left –over in the end of annual year	162984	246456	231905	350675

Gatis Kaķis
Chairman of the board

Sigita Lukaže
Member of the Board

Haralds Mozgirs
Member of the board

July 16 th,2007

Appendixes on pages 10 to 15 is a part of the financial report.

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	30.06.2007	30.06.2006
USD	0.522	0.560
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 equivalentents

In cash flow statement cash and its equivalentents 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	30.06.07. LVL	30.06.06. LVL	30.06.07. EUR	30.06.06. EUR
1.	Net turnover:				
	11.1. Domestic animals` sperm	221708	217173	315462	309009
	11.2. Artificial insemination services	35201	30451	50086	43328
	11.3. Cattle and production	12969	8304	18453	11816
	11.4. Other	41551	39033	59122	55539
	TOTAL	311429	294961	443123	419692
2.	Purchase costs for sold goods				
	12.1. Salaries	88681	81771	126182	116350
	12.2. social insurance tax	21651	19964	30807	28406

AS „KURZEMES CMAS” NEREVIDĒTS 2007.gada I pusgada PĀRSKATS

	12.3. Animal feed costs	9770	8030	13901	11426
	12.4. Fuel costs	15017	18430	21367	26224
	12.5. Electricity costs	2866	2351	4078	3345
	12.6. Telephones, communications	2784	2940	3961	4183
	12.7. Repair works	6946	5151	9883	7329
	12.8. Other costs	30529	35392	43439	50358
	TOTAL	178244	174029	253618	247621
3.	Other operating income				
	13.1. Realization of fixed assets	793	1139	1128	1621
	13.1.Excise tax for diesel fuel used in agric.				
	13.3.Subsidies from Agriculture Ministry	37652	8674	53574	12342
	13.4. Changes of currency exchange rate		329		468
	13.5. Income from sold certificates		4853		6905
	13.6. Insurance refund	6711		9549	
	13.7. Other income	560		787	
	TOTAL	45716	14995	65048	21336
4.	Other operating costs				
	14.1. Left value of fixed assets				
	14.2. Changes of currency exchange rate	413	751	588	1069
	14.3. Other expenses	39	1528	55	2174
	TOTAL	452	2279	643	3243
5.	Other taxes				
	9.1. Nature resource tax				
	9.2. Property tax	1244	701	1770	997
	TOTAL	1244	701	1770	997

III Information on balance on Juny 30, 2007

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	204778	15424	189354	291372	21946	269426
	Including land	114375		114375	162741		162741
	2.2. Technological equipment and machinery	317543	183254	134289	451823	260747	191076
	2.3. Other fixed assets and inventory	25247	17379	7868	35923	24728	11195
	2.4. Advance payment for assets	1009		1009	1436		1436
	Total	548577	216057	332520	780554	307421	473133

AS „KURZEMES CMAS” NEREVIDĒTS 2007.gada I pusgada PĀRSKATS

Nr. p. k.		30.06.07. LVL	30.06.06. LVL	30.06.07. EUR	30.06.06. 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	58246	56873	82876	80923
	4.2. Getter boars	9870	8418	14044	11978
	4.3. Getter stallions	16802	16802	23907	23907
	4.4. Getter mares	13453	10709	19142	15237
	TOTAL	98371	92802	139969	132045
10.	Raw materials and consumables				
	5.1. Materials	6740	5652	9590	8042
	5.2. Mineral fertilizers and chemicals	5993	2512	8527	3574
	5.3. Fuel and lubricants	3646	3420	5188	4866
	5.4. Wood	269	110	383	157
	5.5. Building materials		121		172
	5.6. Animal feed	3143	724	4472	1030
	TOTAL	19791	12539	28160	17841
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	199330	123456	283622	175662
	7.2. Boars sperm	2	4	3	6
	7.3. Frozen stallions sperm	17	18	24	25
	TOTAL	199349	123478	283649	175693
13.	Productive animals				
	8.1. Colts and young horses	26957	23184	38356	32989
	TOTAL	26957	23184	38356	32989
14.	Debtors				
	9.1. Trade debtors				
		46448	55372	66089	78787
	Accumulation for debts	1869	1866	2659	2655
	Balance value of trade debts				
		44579	53506	63430	76132
	9.2. Overpaid company income tax	2478	4855	3526	6908
	9.3. Payments for advance amounts				
		370	265	526	377
	TOTAL	47427	58626	67482	83417
15.	Short term liabilities				
	10.1. Suppliers of goods and services				
		30860	8315	43910	11831
	10.2. Accounts with budget for income tax				
	10.2. Accounts with budget for VAT	5092	5228	7245	7439
	10.3. Accounts with budget for inhab. income tax	4149	2852	5904	4058
	10.4. Accounts with budget for social insurance tax	6967	4771	9913	6789
	10.5. Accounts with in advance paid amounts				
		60	135	85	192
	10.6. Accounts with salaries	12689	3067	18055	4364
	10.7. SAPARD means	5808	11203	8264	15940
	10.8. Accumulation for vacation				
		14291	11165	20334	15886
	TOTAL	79916	46736	113710	66499

IV General information

Average number of employees in a/s “Kurzemes CMAS” on 30th of June 2007 was 52 , receiving salaries in total amount of 126514 Ls. Calculated social tax 29867 Ls .

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

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

STATEMENT ABOUT MANAGEMENT LIABILITY

According to our information financial report for the 6 months of 2007 has been prepared according to the existing legislative requirements and gives a real and clear idea about joint stock company's „Kurzemes ciltslietu un mākslīgās apsēklošanas stacija” assets, liabilities, financial situation and profits.

The information that has been included in the management report is veritable.

The board of stock company „Kurzemes ciltslietu un mākslīgās apsēklošanas stacija”:

Chairman of the board GATIS KAĶIS

Member of the board SIGITA LUKAŽE

Member of the board HARALDS MOZGIRS