

Stock company

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

ANNUAL REPORT
Year 2007
On September 30, 2007

Jaunpils parish, Tukums district

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	Information about company
Name of the company	“Kurzemes ciltsliešu 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 –September 30, 2007
Name and address of the sworn auditor	SIA „Revidentu 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 September 2007 is Ls 563088, profit after paying taxes is Ls 108710.

During the annual year the company has been granted with state subsidies in amount of Ls 40176. Subsidies are received for keeping of breed cattle and EU areas payments.

Investments

On 30 September 2007 company has purchased fixed assets for total amount Ls 346894, including transport means - Ls 42217, technological equipment for modernization of laboratories – Ls 771, agriculture machinery and tools – Ls 2569, office equipment – Ls 1337.

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

October 26 th,2007

PROFIT OR LOSS STATEMENT
(on turnover cost method)

No	Item	No. of app.	On September 30 2007 LVL	On September 30 2006 LVL	On September 30 2007 EUR	On September 30 2006 EUR
1.	Net turnover	1.	563088	492953	801202	701409
2.	Selling costs of finished goods	2.	(322125)	(310781)	(458343)	(442202)
3.	Gross profit or loss		240963	182172	342859	259207
4.	Selling costs		(75630)	(45861)	(107612)	(65254)
5.	Administration costs		(103262)	(74171)	(146928)	(105536)
6.	Other operating income	3.	48461	27927	68954	39737
7.	Other operating costs	4.	(813)	(2367)	(1157)	(3368)
8.	Other interests receivable and similar income		318	512	452	729
9.	Profit or loss before extraordinary items and taxes		110037	87700	156568	124785
10	Tax on profit for the financial year					
11	Other taxes	5.	(1327)	(701)	(1888)	(997)
12	Profit or loss for the financial year after taxes		108710	86999	154680	123788
13	Profit on 1 share EPS		0.248	0.199	0.353	0.283

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

BALANCE on September 30, 2007

ASSETS	NO .of app	30.09. 2007. LVL	30.09. 2006. LVL	30.09 2007. EUR	30.09. 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	269427	157867
2. Equipment and machinery		144941	113267	206232	161164
3. Other fixtures and fittings, tools and equipment		8644	9253	12299	13166
4. Advance payment for assets					
II TOTAL	7.	342939	233470	487958	332197
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		95194	80808	135449	114980
IV TOTAL	9.	95194	80808	135449	114980
Long term assets total		441572	317717	628300	452070
2.Current assets					
I Stocks:					
1. Raw materials and consumables	10.	24753	19537	35220	27798
2. Work in progress	11.	1362	1362	1938	1938
3.Finished goods and goods for resale	12.	183444	111253	261017	158299
4. Productive animals	13.	30361	19352	43200	27536
I TOTAL		239920	151504	341375	215571
II Debtors:					
1. Trade debtors		111699	51432	158934	73181
2. Other debtors		6371	45036	9065	64081
II TOTAL	14.	118070	96468	167999	137262
III Cash funds		139159	255285	198005	363238
Current assets total		497149	503257	707379	716070
BALANCE		938721	820974	1335679	1168140

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

AS „KURZEMES CMAS” NEREVIDĒTS 2007.gada 9 mēnešu PĀRSKATS

LIABILITIES	No. of app	30.09. 2007. LVL	30.09. 2006. LVL	30.09 2007. EUR	30.09. 2006. EUR
1.EQUITY CAPITAL					
1. Company capital (share capital)		438000	438000	623218	623218
2. Reserves:					
a) Other reserves		188582	185255	268328	263594
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		108710	86999	154680	123788
Provision for liabilities and charges total		865271	774777	1231169	1102408
2.Creditors					
I Short term creditors:					
1.Suppliers of goods and services		22501	3890	32016	5535
2.Company income tax					
3.Taxes and social security payments		17695	12644	25178	17991
4. Other creditors		13155	7295	18718	10380
5. Next period income		5808	11203	8264	15940
6. Accumulated liabilities		14291	11165	20334	15886
II TOTAL	15.	73450	46197	104510	65732
BALANCE		938721	820974	1335679	1168140

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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			86999	86999			123788	123788
Gifts and benefits		(3327)		(3327)		(4734)		(4734)
Dividendes			(21900)	(21900)			(31161)	(31161)
Left –over 30.09.2006.	438000	185255	151522	774777	623218	263594	215596	1102408
Left –over 31.12.2006.	438000	188582	177279	803861	623218	268328	252245	1143791
2007-profit			108710	108710			154680	154680
Gifts and benefits			(3500)	(3500)			(4980)	(4980)
Dividendes			(43800)	(43800)			(62322)	(62322)
Left –over 30.09.2007.	438000	188582	238689	865271	623218	268328	339623	1231169

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CASH FLOW OVERVIEW

No	Items of incomes and costs	On September 30 2007 LVL	On September 30 2006 LVL	On September 30 2007 EUR	On September 30 2006 EUR
1.	Cash flow from operating activities				
	<u>1.1 Profit or loss before extraordinary posts and taxes</u>	110037	87700	156568	124785
	Corrections:				
	a) depreciation of fixed assets				
	b) Loss from changes of foreign currency exchange rate	(774)	(510)	(1101)	(725)
	<u>1.2. Profit from operating activities of the annual year</u>	109263	87190	155467	124060
	Corrections:				
	a) increase of left –overs of debtors debts	21602	32264	30737	45908
	b) decrease of stock	(88416)	(26754)	(125805)	(38068)
	c) decrease of creditors debts	(27253)	(20316)	(38777)	(28907)
	<u>1.3. Income from operating activities exceed over expenses</u>	15196	72384	21622	102993
	<u>1.4. Cash paid for taxes</u>	(87402)	(77676)	(124362)	(110523)
	<u>1.5. Cash flow before extraordinary posts</u>	(72206)	(5292)	(102740)	(7530)
	<u>1.6. Income from extraordinary posts</u>				
	<u>1.7. Net income from operating activities</u>	(72206)	(5292)	(102740)	(7530)
2.	Investments cash flow				
	2.1. Costs for fixed assets	(46894)	(26381)	(66724)	(37537)
	2.2. Income from sold fixed assets	793	1139	1129	1621
	2.3. Income from interest	318	512	452	729
	<u>2.4. Net costs of investment activities</u>	(45783)	(24730)	(65143)	(35187)
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	(161789)	(51922)	(230205)	(73878)
5.	Left –over in the beginning of annual year	300948	307207	428210	437116
6.	Left –over in the end of annual year	139159	255285	198005	363238

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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	30.09.2007	30.09.2006
USD	0.497	0.552
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	30.09.07. LVL	30.09.06. LVL	30.09.07. EUR	30.09.06. EUR
1.	Net turnover:				
	1.1. Domestic animals` sperm	351686	343617	500404	488923
	1.2. Artificial insemination services	58821	51679	83695	73533
	1.3. Cattle and production	16195	8786	23043	12501
	1.4. Other	136386	88871	194060	126452
	TOTAL	563088	492953	801202	701409
2.	Purchase costs for sold goods				
	2.1. Salaries	132017	133751	187844	190311
	2.2. social insurance tax	30868	31273	43921	44497

AS „KURZEMES CMAS” NEREVIDĒTS 2007.gada 9 mēnešu PĀRSKATS

	2.3. Animal feed costs	12532	13283	17831	18900
	2.4. Fuel costs	32661	32688	46473	46511
	2.5. Electricity costs	3470	3170	4937	4511
	2.6. Telephones, communications	4200	4414	5976	6280
	2.7. Repair works	6938	8118	9872	11551
	2.8. Other costs	99439	84084	141489	119641
	TOTAL	322125	310781	458343	442202
3.	Other operating income				
	3.1. Realization of fixed assets	793	1139	1128	1621
	3.2. Excise tax for diesel fuel used in agric.				
	3.3. Subsidies from Agriculture Ministry	40176	21251	57166	30237
	3.4. Changes of currency exchange rate		329		468
	3.5. Income from sold certificates		5208		7411
	3.6. Insurance refund	6832		9721	
	3.7. Dividends of SIA Latvijas šķirnes dzīvnieku audzētāju savienības	100		142	
	3.8. Other income	560		797	
	TOTAL	48461	27927	68954	39737
4.	Other operating costs				
	4.1. Left value of fixed assets				
	4.2. Changes of currency exchange rate	774	839	1101	1194
	4.3. Other expenses	39	1528	56	2174
	TOTAL	813	2367	1157	3368
5.	Other taxes				
	5.1. Nature resource tax	83		118	
	5.2. Property tax	1244	701	1770	997
	TOTAL	1327	701	1888	997

III Information on balance on September 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 programs	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	328195	183254	144941	466979	260747	206232
	2.3. Other fixed assets and inventory	26023	17379	8644	37027	24728	12299
	Total	558996	216057	342939	795378	307421	487957

AS „KURZEMES CMAS” NEREVIDĒTS 2007.gada 9 mēnešu PĀRSKATS

Nr. p. k.		30.09.07. LVL	30.09.06. LVL	30.09.07. EUR	30.09.06. EUR
8.	Long term financial assets				
	8.1. Financial assets	2480	2480	3529	3529
	TOTAL	2480	2480	3529	3529
9.	Biological assets				
	9.1. Getter bulls	54398	46786	77401	66571
	9.2. Getter boars	10541	6512	14999	9266
	9.3. Getter stallions	16802	16802	23907	23907
	9.4. Getter mares	13453	10708	19142	15236
	TOTAL	95194	80808	135449	114980
10.	Raw materials and consumables				
	10.1. Materials	10377	9828	14765	13984
	10.2. Mineral fertilizers and chemicals	2993		4259	
	10.3. Fuel and lubricants	2508	1798	3568	2558
	10.4. Wood	567	91	807	129
	10.5. Building materials		121		172
	10.6. Animal feed	8308	7699	11821	10955
	TOTAL	24753	19537	35220	27798
11.	Production in progress				
	11.1. Winter crops	1362	1362	1938	1938
	TOTAL	1362	1362	1938	1938
12.	Finished goods and goods for resale				
	12.1. Frozen bulls sperm	183427	111236	260993	158275
	12.2. Boars sperm				
	12.3. Frozen stallions sperm	17	17	24	24
	TOTAL	183444	111253	261017	158299
13.	Productive animals				
	13.1. Colts and young horses	30361	19352	43200	27536
	TOTAL	30361	19352	43200	27536
14.	Debtors				
	14.1.1. Trade debtors	113568	53298	161593	75836
	14.1.2. Accumulation for debts	1869	1866	2659	2655
	14.1.3. Balance value of trade debts	111699	51432	158934	73181
	14.2. Overpaid company income tax	6195	4855	8815	6908
	14.3. Payments for advance amounts	176	181	250	258
	14.4. Advance payment for land		40000		56915
	TOTAL	118070	96468	167999	137262
15.	Short term liabilities				
	15.1. Suppliers of goods and services	22501	3890	32016	5535
	15.2. Accounts with budget for income tax				
	15.3. Accounts with budget for VAT	6845	4804	9739	6836
	15.4. Accounts with budget for inhab. income tax	4048	2968	5760	4223
	15.5. Accounts with budget for social insurance tax	6803	4872	9680	6932
	15.6. Accounts with in advance paid amounts	16	35	23	50
	15.7. Accounts with salaries	13139	7260	18695	10330
	15.8. SAPARD means	5808	11203	8264	15940
	15.9. Accumulation for vacation	14290	11165	20333	15886
	TOTAL	73450	46197	104510	65732

IV General information

Average number of employees in a/s “Kurzemes CMAS” on 30th of September 2007 was 55, receiving salaries in total amount of 191759 Ls (272848 EUR). Calculated social tax 45270 Ls (64413 EUR).

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 9 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