

Stock company

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

ANNUAL REPORT
Year 2008
On March 31, 2008

Jaunpils parish, Tukums district

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Information about company

Name of the company	“Kurzemes ciltslietu 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
Share capital	On 31 December 2007 LVL 438000 (EUR 623218) Nominal value of one share LVL 1.00 (EUR 1.42) Total number of shares 438000 All shares are registered shares with equal voting rights in shareholders’ meetings and giving the right to receive dividends and liquidation quota. There are restrictions for the change of shareholders and do not exist any requirement for approval from the other shareholders of such change. There are no restrictions for voting rights and do not exist any similar restrictions.
Major share holders	Latvian Animal Breed Association SIA (37%) JL INDEX SIA (5%) Gunārs Veska (6%) Pēteris Augustovs (5%) 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 There are no special regulations for the election of the members of the board, for changes in the membership of the board and for making amendments to the articles of incorporation. The chairman of the board rerepresents the company individually. There is no agreement between the company and the members of the board about any kind of compensations.
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 Ķīgulis – Member of the Council Rihards Stumburs – Member of the Council
Annual year	January 1st –Martch 31st, 2008
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

Aspects:

1. Production and realization of high quality bioproduct of getters (boars and bulls);
2. Rendering of services connecting with pedigree work of animals and artificial insemination;
3. Growing and realization of pedigree horses;
4. Collection of supervisory milk's standart;
5. Cultivation of grain and utility of agroservice.

Companie's work in year of account.

Netto turnover on 31 of Martch 2008 is LVL 172404 (EUR 245309). Stock companie's profit after paying taxes is LVL 33054 (EUR 47032).

Enterprise from state and EU subsidie's there were receive LVL 11174 (EUR 15899) in year of account. Subsidie's have received for breed material in foreign countries, breed animals maintenance and payments for EU area.

In 2008 stock company has purchased fixed assets for total amount LVL 1177, including office equipment- LVL 1177.

Exploratory and developmental measures.

Are not.

Branches and agencies in abroad.

Are not.

Management of finansial risk.

Activity of the company is subordinate different financial risks, including credit risk, foreign Exchange rate and interest rate vibrations risks. Public leadership trying to minimize negative effect of potencial risk on financial situation.

Company is subordinated foreign Exchange vibration risk, that arise from different currency. As it was LVL rate attached to EUR rate from 1-st of January 2005, will be limited LVL/EUR exchange fluctuations and not foreseeable its relevant effect on deffered financial results. Leadership of company considering possibility to accommodate instruments of risk limit for slow down USA dollar rate vibrations effect.

Financial resources, who potential subordinate company known concentration degree of credit risk, mostly are funds and buyer's and customer's debts. At the ending of accounting period the company there were no subordinate notable % from general buyer's and customer's debt quantity. The company is introducē and notice credit policy, realizeing goods on credit only for clients with good credithistory and not overdrawing and fixed credit quantity (amount) for each client. Buyer's and customer's debtsare arise in retrievable value. Companie's partners in fundsdealings are local financial institution with accordant credit history.

Company notice provident liquidity risk leading, provideing accordant credit resourses are available in determined time. The leadership of company consider that company will have enought cash resourses let to his liquidity not to be endangared.

Status and developments after year of account ending.

There were no any notable developments in period of time since year of account last day to signing of this report that materially influence result of year account.

Perspective of future.

1. To continue the technological improvements of laboratories.
2. To repair office, laboratory and production rooms.
3. Continue to develop grain industry, int.al., extra buy farmland for development of grain industry, rendering of services.
4. Continue to develop with family work involving assemblage.
5. To apply for state subsidies for partly covering of costs of keeping high quality breed bulls, and other costs mentioned in subsidy regulations.

Gatis Kaķis
Chairman of the board

Sigita Lukaže
Member of the Board

Haralds Mozgirs
Member of the board

April 21 st,2008

PROFIT OR LOSS STATEMENT
(on turnover cost method)

No	Item	No. of app ..	On Martch 31 2008 LVL	On Martch 31 2007 LVL	On Martch 31 2008 EUR	On Martch 31 2007 EUR
1.	Net turnover	1.	172404	143759	245309	204550
2.	Selling costs of finished goods	2.	(77261)	(53057)	(109933)	(75493)
3.	Gross profit or loss		95143	90702	135376	129057
4.	Selling costs		(29099)	{27177}	(41404)	(38669)
5.	Administration costs		(43031)	{36530}	(61228)	(51978)
6.	Other operating income	3.	12320	3761	17530	5351
7.	Other operating costs	4.	(1325)	(39)	(1885)	(55)
8.	Other interests receivable and similar income		79	139	112	198
9.	Profit or loss before extraordinary items and taxes		34087	30856	48501	43904
10	Tax on profit for the financial year					
11	Other taxes	5.	(1033)	(1244)	(1470)	(1770)
12	Profit or loss for the financial year after taxes		33054	29612	47031	42134
13	Profit on 1 share EPS		0.075	0.068	0.107	0.096

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Appendixes on pages 11 to 17 is a part of the financial report.

BALANCE on Martch 31, 2008

ASSETS	NO .of app	31.03. 2008. LVL	31.03. 2007. LVL	31.03. 2008. EUR	31.03. 2007. EUR
1.Long term assets					
I Intangible assets:					
1.Concessions, patents, licences, trade marks and others		767	959	1091	1364
I TOTAL	6.	767	959	1091	1364
II Tangible assets:					
1. Land and buildings, perrenial plants		187758	189354	267156	269426
2. Equipment and machinery		117427	119745	167083	170382
3. Other fixtures and fittings, tools and equipment		7955	7815	11319	11120
4. Advance payment for assets					
II TOTAL	7.	313140	316914	445558	450928
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		99779	88111	141973	125371
IV TOTAL	9.	99779	88111	141973	125371
Long term assets total		416166	408464	592151	581192
2.Current assets					
I Stocks:					
1. Raw materials and consumables	10.	31159	32995	44335	46948
2. Work in progress	11.	1362	1362	1938	1938
3.Finished goods and goods for resale	12.	270789	177704	385298	252850
4. Productive animals	13.	24009	25900	34162	36852
I TOTAL		327319	237961	465733	338588
II Debtors:					
1. Trade debtors		59382	53427	84493	76020
2. Other debtors		7739	176	11012	250
3. Next period costs		750		1067	
II TOTAL	14.	67871	53603	96572	76270
III Cash funds		156777	207067	223074	294630
Current assets total		551967	498631	785379	709488
BALANCE		968133	907095	1377530	1290680

Appendixes on pages 11 to 17 is a part of the annual report

LIABILITIES	No. of app	31.03. 2008. LVL	31.03. 2007. LVL	31.03. 2008. EUR	31.03. 2007. EUR
1.EQUITY CAPITAL					
1. Company capital (share capital)		438000	438000	623218	623218
2. Reserves:					
a) Other reserves		188582	188582	268328	268328
3. Retained earnings:					
a) brought forward from previous years		222553	177279	316665	252245
b) brought forward from profit and loss account for the current annual year		33054	29612	47031	42134
Provision for liabilities and charges total		882189	833473	1255242	1185925
2.Creditors					
I Short term creditors:					
1.Suppliers of goods and services		35076	24686	49909	35125
2.Company income tax			2037		2898
3.Taxes and social security payments		20351	14630	28958	20817
4. Other creditors		13324	12170	18958	17317
5. Next period income			5808		8264
6. Accumulated liabilities		17193	14291	24463	20334
II TOTAL	15.	85944	73622	122288	104755
BALANCE		968133	907095	1377530	1290680

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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 31.12.2006.	438000	188582	177279	803861	623218	268328	252245	1143791
2007- profit			29612	29612			42134	42134
Left –over 31.03.2007.	438000	188582	206891	833473	623218	268328	294379	1185925
Left –over 31.12.2007.	438000	188582	222553	849135	623218	268328	316664	1208210
2008- profit			33054	33054			47032	47032
Left –over 31.03.2008.	438000	188582	255607	882189	623218	268328	363696	1255242

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CASH FLOW OVERVIEW

No	Items of incomes and costs	On March 31 2008 LVL	On March 31 2007 LVL	On March 31 2008 EUR	On March 31 2007 EUR
1.	Cash flow from operating activities				
	<u>1.1 Profit or loss before extraordinary posts and taxes</u>	34087	30856	48501	43904
	Corrections:				
	a) depreciation of fixed assets				
	b) Loss from changes of foreign currency exchange rate	1325	383	1885	545
	<u>1.2. Profit from operating activities of the annual year</u>	35412	31239	50386	44449
	Corrections:				
	a) increase of left –overs of debtors debts	14268	8386	20302	11932
	b) decrease of stock	(89358)	(76274)	(127145)	(108528)
	c) decrease of creditors debts	12322	31951	17533	45462
	<u>1.3. Income from operating activities exceed over expenses</u>	(27356)	(4698)	(38924)	(6684)
	<u>1.4. Cash paid for taxes</u>	(21836)	(32974)	(31070)	(46918)
	<u>1.5. Cash flow before extraordinary posts</u>	(49192)	(37672)	(69994)	(53602)
	<u>1.6. Income from extraordinary posts</u>				
	<u>1.7. Net income from operating activities</u>	(49192)	(37672)	(69994)	(53602)
2.	Investments cash flow				
	2.1. Costs for fixed assets	(1177)	(20869)	(1675)	(29694)
	2.2. Income from sold fixed assets		551		784
	2.3. Income from interest	79	139	112	198
	<u>2.4. Net costs of investment activities</u>	(1098)	(20179)	(1563)	(28712)
3.	Financial activity cash flow				
	3.1. Costs for dividends				
	<u>3.2. Net costs of financial activities</u>				
4.	Increase or decrease of net cash	(50290)	(57851)	(71557)	(82314)
5.	Left –over in the beginning of annual year	207067	264918	294630	376944
6.	Left –over in the end of annual year	156777	207067	223073	294630

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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”, 4. “Change of bookkeeping politics calculation of bookkeeping changes and mistakes of previous periods”, 5. “Incomes”, 6. “Fixed assets”, 7. “Reserves, probable liabilities and inferred assets”.

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 principles of valuation 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 principles of valuation 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. Expenses are integrated with incomes in accordant accounting period.
- 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.

<i>Currency</i>	<i>31.03.2008</i>	<i>31.03.2007</i>
<i>USD</i>	<i>0.445</i>	<i>0.528</i>
<i>EUR</i>	<i>0.702804</i>	<i>0.702804</i>

Profit or loss coming from currency exchange changes are shown in Profit or loss statement

4. Fixed assets

Fixed assets are recorded with the purchase cost, decreasing depreciation and accumulated decrease of value. Purchase value includes direct cost of the fixed assets. Purchased computer programmes licence value is includes costs from licence purchase and costs that arise to put it into expluaction.

Depreciation is nor 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

Depreciation is calculated from 1-st date in next month after putting into operation. If liquidation value isn't essential (unequalled 5 % from middle turnover in 3 years), then it not to care for depreciation determination.

Further costs are included in actives balance value or is stated separately as asset because of high possibility that welth 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 of 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 diference between the balance value of the fixed asset and sells 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 provements 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 deferred enterprise income tax is not calculated.

9. Accumulated liabilities for non-used holidays expenses

Accumulated non-used holidays expenses cost amount is calculated multiplying average salary/ per day during last six month with number of not used holidays.

10. Cash and its equivalents

In cash flow statement cash and its equivalents 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	31.03.08. LVL	31.03.07. LVL	31.03.08. EUR	31.03.07. EUR
1.	Net turnover:				
	1.1. Domestic animals` sperm	122239	104078	173930	148090
	1.2. Artificial insemination services	10363	14551	14745	20704
	1.3. Cattle and production	9071	4846	12907	6895
	1.4. Other	30731	20284	43727	28861
	TOTAL	172404	143759	245309	204550
2.	Purchase costs for sold goods				
	2.1. Salaries	45340	30721	64513	43712
	2.2. social insurance tax	11648	7892	16574	11229
	2.3. Animal feed costs	2682	2526	3814	3594
	2.4. Fuel costs	8897	7279	12659	10357
	2.5. Electricity costs	1647	1160	2344	1651
	2.6. Telephones, communications	1326	1339	1887	1905
	2.7. Repair works	3531	1884	5024	2681
	2.8. Other costs	2190	256	3116	364
	TOTAL	77261	53057	109933	75493
3.	Other operating income				
	3.1. Realization of fixed assets		551		784
	3.2. Excise tax for diesel fuel used in agric.				
	3.3. Subsidies from Agriculture Ministry	11174	3045	15899	4333
	3.4. Changes of currency				

	exchange rate				
	3.5. Income from sold certificates				
	3.6. Insurance refund				
	3.7. Dividends of SIA Latvijas šķirnes dzīvnieku audzētāju savienības				
	3.8. Other income	1146		1631	
	TOTAL	12320	3761	17530	5351
4.	Other operating costs				
	4.1. Left value of fixed assets				
	4.2. Changes of currency exchange rate	1325		1885	
	4.3. Other expenses		39		55
	TOTAL	1325	39	1885	55
5.	Other taxes				
	5.1. Nature resource tax				
	5.2. Property tax	1033	1244	1470	1770
	TOTAL	1033	1244	1470	1770

III Information on balance on Martchr 31, 2008

Nr. p. k.		Start value LVL	Depreciation LVL	Current value LVL	Start value EUR	Depreciation EUR	Current value EUR
6.	Intangible investments						
	6.1.Computer programmes	959	192	767	1364	273	1091
	Total	959	192	767	1364	273	1091
7.	Tangible assets						
	7.1. Land, buildings, perennial plants	204779	17021	187758	291374	24218	267156
	Including land	114375		114375	162741		162741
	7.2. Technological equipment and machinery	322087	204660	117427	458289	291205	167083
	7.3. Other fixed assets and inventory	27877	19922	7955	39665	28347	11319
	Total	554743	241603	313140	789328	343770	445558

Nr. p. k.		31.03.08. LVL	31.03.07. LVL	31.03.08. EUR	31.03.07. 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	60218	48295	85683	68718
	9.2. Getter boars	9259	9561	13174	13604
	9.3. Getter stallions	16802	16802	23907	23907
	9.4. Getter mares	13500	13453	19209	19142
	TOTAL	99779	88111	141973	125371
10.	Raw materials and consumables				
	10.1. Materials	9136	11265	12999	16029
	10.2. Mineral fertilizers and chemicals	11975	16305	17039	23200
	10.3. Fuel and lubricants	3518	2325	5006	3308
	10.4. Wood	109	410	155	583
	10.5. Animal feed	6421	2690	9136	3828
	TOTAL	31159	32995	44335	46948
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	270729	177687	385213	252826
	12.2. Boars sperm	43		61	
	12.3. Frozen stallions sperm	17	17	24	24
	TOTAL	270789	177704	385298	252850
13.	Productive animals				
	13.1. Colts and young horses	24009	25900	34162	36852
	TOTAL	24009	25900	34162	36852
14.	Debtors				
	14.1.1. Trade debtors	61688	55296	87774	78679
	14.1.2. Accumulation for debts	2306	1869	3281	2659
	14.1.3. Balance value of trade debts	59382	53427	84493	76020
	14.2. Overpaid company income tax	7338		10441	

	14.3. Payments for advance amounts	401	176	571	250
	14.4. Advance payment for biedru naudas	750		1067	
	TOTAL	67871	53603	96572	76270
15.	Short term liabilities				
	15.1. Suppliers of goods and services	35076	24686	49909	35125
	15.2. Accounts with budget for income tax		2037		2898
	15.3. Accounts with budget for VAT	7977	4005	11350	5699
	15.4. Accounts with budget for inhab. income tax	4487	3938	6385	5603
	15.5. Accounts with budget for social insurance tax	7886	6687	11221	9515
	15.6. Accounts with budget for DR tax				
	15.7. Accounts with in advance paid amounts				
	15.8. Amounts expended for advance	19	91	27	130
	15.9. Accounts with salaries	13306	12079	18933	17187
	15.10. SAPARD means		5808		8264
	15.11. Accumulation for vacation	17193	14291	24463	20334
	TOTAL	85944	73622	122288	104755

IV General information

Average number of employees in a/s “Kurzemes CMAS” on 31st of March 2008 was 53, receiving salaries in total amount of 70650 LVL (100526 EUR). Calculated social tax 22986 LVL (32706 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 3 months of 2008 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 KAČIS

Member of the board SIGITA LUKAŽE

Member of the board HARALDS MOZGIRS