

Stock company

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

ANNUAL REPORT
Year 2008
On September 30, 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 30 September 2008 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 –September 30, 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 30 of September 2008 is LVL 664384 (EUR 945333). Stock companie's profit after paying taxes is LVL 139378 (EUR 198317).

Enterprise from state and EU subsidie's there were receive LVL 26892 (EUR 38264) 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 10485 (EUR 14919), including office equipment- LVL 2985 and lands LVL 7500.

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

October 21 st,2008

PROFIT OR LOSS STATEMENT
(on turnover cost method)

No	Item	No. of app ..	On September 30 2008 LVL	On September 30 2007 LVL	On September 30 2008 EUR	On September 30 2007 EUR
1.	Net turnover	1.	664384	563088	945333	801202
2.	Selling costs of finished goods	2.	(361019)	(322125)	(513684)	(458343)
3.	Gross profit or loss		303365	240963	431649	342859
4.	Selling costs		(84984)	(75630)	(120921)	(107612)
5.	Administration costs		(112971)	(103262)	(160743)	(146928)
6.	Other operating income	3.	35924	48461	51115	68954
7.	Other operating costs	4.	(1003)	(813)	(1427)	(1157)
8.	Other interests receivable and similar income		256	318	364	452
9.	Profit or loss before extraordinary items and taxes		140587	110037	200037	156568
10	Tax on profit for the financial year					
11	Other taxes	5.	(1209)	(1327)	(1720)	(1888)
12	Profit or loss for the financial year after taxes		139378	108710	198317	154680
13	Profit on 1 share EPS		0.318	0.248	0.453	0.353

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

BALANCE on September 30, 2008

ASSETS	NO .of app	30.09. 2008. LVL	30.09. 2007. LVL	30.09. 2008. EUR	30.09. 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, perennial plants		195258	189354	277827	269427
2. Equipment and machinery		112338	144941	159843	206232
3. Other fixtures and fittings, tools and equipment		9738	8644	13856	12299
4. Advance payment for assets					
II TOTAL	7.	317334	342939	451526	487958
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		65886	95194	93747	135449
IV TOTAL	9.	65886	95194	93747	135449
Long term assets total		386467	441572	549893	628300
2.Current assets					
I Stocks:					
1. Raw materials and consumables	10.	39839	24753	56686	35220
2. Work in progress	11.	1362	1362	1938	1938
3.Finished goods and goods for resale	12.	303252	183444	431489	261017
4. Productive animals	13.		30361		43200
I TOTAL		344453	239920	490113	341375
II Debtors:					
1. Trade debtors		87776	111699	124894	158934
2. Other debtors		7778	6371	11067	9065
3. Next period costs		750		1067	
II TOTAL	14.	96304	118070	137028	167999
III Cash funds		168849	139159	240250	198005
Current assets total		609606	497149	867391	707379
BALANCE		996073	938721	1417284	1335679

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

LIABILITIES	No. of app	30.09. 2008. LVL	30.09. 2007. LVL	30.09. 2008. EUR	30.09. 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		169073	129979	240569	184943
b) brought forward from profit and loss account for the current annual year		139378	108710	198317	154680
Provision for liabilities and charges total		935033	865271	1330432	1231169
2.Creditors					
I Short term creditors:					
1.Suppliers of goods and services		10607	22501	15092	32016
2.Company income tax					
3.Taxes and social security payments		20639	17695	29367	25178
4. Other creditors		12601	13155	17930	18718
5. Next period income			5808		8264
6. Accumulated liabilities		17193	14291	24463	20334
II TOTAL	15.	<i>61040</i>	<i>73450</i>	<i>86852</i>	<i>104510</i>
BALANCE		996073	938721	1417284	1335679

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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			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
Left –over 31.12.2007.	438000	188582	222553	849135	623218	268328	316664	1208210
2008-profit			139378	139378			198317	198317
Gifts and benefits			(9680)	(9680)			(13773)	(13773)
Dividendes			(43800)	(43800)			(62322)	(62322)
Left –over 30.09.2008.	438000	188582	308451	935033	623218	268328	438886	1330432

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CASH FLOW OVERVIEW

No	Items of incomes and costs	On September 30 2008 LVL	On September 30 2007 LVL	On September 30 2008 EUR	On September 30 2007 EUR
1.	Cash flow from operating activities				
	<u>1.1 Profit or loss before extraordinary posts and taxes</u>	140587	110037	200037	156568
	Corrections:				
	a) depreciation of fixed assets				
	b) Loss from changes of foreign currency exchange rate	(1003)	(774)	(1427)	(1101)
	<u>1.2. Profit from operating activities of the annual year</u>	139584	109263	198610	155467
	Corrections:				
	a) increase of left –overs of debtors debts	(29687)	21602	(42240)	30737
	b) decrease of stock	56651	(88416)	80607	(125805)
	c) decrease of creditors debts	(3688)	(27253)	(5248)	(38777)
	<u>1.3. Income from operating activities exceed over expenses</u>	162860	15196	231729	21622
	<u>1.4. Cash paid for taxes</u>	(89552)	(87402)	(127421)	(124362)
	<u>1.5. Cash flow before extraordinary posts</u>	73308	(72206)	73308	(102740)
	<u>1.6. Income from extraordinary posts</u>				
	<u>1.7. Net income from operating activities</u>	73308	(72206)	104308	(102740)
2.	Investments cash flow				
	2.1. Costs for fixed assets	(10485)	(46894)	(14919)	(66724)
	2.2. Income from sold fixed assets	8319	793	11837	1129
	2.3. Income from interest	256	318	364	452
	<u>2.4. Net costs of investment activities</u>	(1910)	(45783)	(2718)	(65143)
3.	Financial activity cash flow				
	3.1. Costs for dividends	(43800)	(43800)	(62322)	(62322)
	<u>3.2. Net costs of financial activities</u>	(43800)	(43800)	(62322)	(62322)
4.	Increase or decrease of net cash	27598	(161789)	39268	(230205)
5.	Left –over in the beginning of annual year	141251	300948	200982	428210
6.	Left –over in the end of annual year	168849	139159	240250	198005

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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>30.09.2008</i>	<i>30.09.2007</i>
<i>USD</i>	0.486	0.497
<i>EUR</i>	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 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 difference 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	30.09.08. LVL	30.09.07. LVL	30.09.08. EUR	30.09.07. EUR
1.	Net turnover:				
	1.1. Domestic animals' sperm	425232	351686	605051	500404
	1.2. Artificial insemination services	39817	58821	56654	83695
	1.3. Cattle and production	44924	16195	63921	23043
	1.4. Other	154411	136386	219707	194060
	TOTAL	664384	563088	945333	801202
2.	Purchase costs for sold goods				
	2.1. Salaries	177193	132017	252123	187844
	2.2. social insurance tax	41994	30868	59752	43921
	2.3. Animal feed costs	14869	12532	21157	17831
	2.4. Fuel costs	37071	32661	52747	46473
	2.5. Electricity costs	3982	3470	5666	4937
	2.6. Telephones, communications	3559	4200	5064	5976
	2.7. Repair works	11622	6938	16537	9872
	2.8. Other costs	70729	99439	100638	141489
	TOTAL	361019	322125	513684	458343
3.	Other operating income				
	3.1. Realization of fixed assets	3205	793	4560	1128
	3.2. Excise tax for diesel fuel used in agric.	5827		8291	
	3.3. Subsidies from Agriculture Ministry	26892	40176	38264	57166
	3.4. Changes of currency				

	exchange rate				
	3.5. Income from sold certificates				
	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	35924	48461	51115	68954
4.	Other operating costs				
	4.1. Left value of fixed assets				
	4.2. Changes of currency exchange rate	1003	774	1427	1101
	4.3. Other expenses		39		56
	TOTAL	1003	813	1427	1157
5.	Other taxes				
	5.1. Nature resource tax		83		118
	5.2. Property tax	1209	1244	1720	1770
	TOTAL	1209	1327	1720	1888

III Information on balance on September 30, 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	212279	17021	195258	302046	24219	277827
	Including land	121875		121875	173413		173413
	7.2. Technological equipment and machinery	308843	196505	112338	439444	279601	159843
	7.3. Other fixed assets and inventory	29504	19766	9738	41980	28124	13856
	Total	550626	233292	317334	783470	331944	451526

AS „KURZEMES CMAS” NEREVIDĒTS 2008.gada 9 mēnešu PĀRSKATS

Nr. p. k.		30.09.08. LVL	30.09.07. LVL	30.09.08. EUR	30.09.07. 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	58724	54398	83557	77401
	9.2. Getter boars	7162	10541	10190	14999
	9.3. Getter stallions		16802		23907
	9.4. Getter mares		13453		19142
	TOTAL	65886	95194	93747	135449
10.	Raw materials and consumables				
	10.1. Materials	9133	10377	12995	14765
	10.2. Mineral fertilizers and chemicals	18641	2993	26524	4259
	10.3. Fuel and lubricants	2041	2508	2904	3568
	10.4. Wood	1402	567	1995	807
	10.5. Animal feed	8622	8308	12268	11821
	TOTAL	39839	24753	56686	35220
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	303228	183427	431455	260993
	12.2. Boars sperm	7		10	
	12.3. Frozen stallions sperm	17	17	24	24
	TOTAL	303252	183444	431489	261017
13.	Productive animals				
	13.1. Colts and young horses		30361		43200
	TOTAL		30361		43200
14.	Debtors				
	14.1.1. Trade debtors	90082	113568	128175	161593
	14.1.2. Accumulation for debts	2306	1869	3281	2659
	14.1.3. Balance value of trade debts	87776	111699	124894	158934
	14.2. Overpaid company income tax	7338	6195	10441	8815
	14.3. Payments for advance amounts	440	176	626	250
	14.4. Advance payment for biedru naudas	750		1067	
	TOTAL	96304	118070	137028	167999

15.	Short term liabilities				
	15.1. Suppliers of goods and services	10607	22501	15092	32016
	15.2. Accounts with budget for income tax				
	15.3. Accounts with budget for VAT	9273	6845	13194	9739
	15.4. Accounts with budget for inhab. income tax	4128	4048	5874	5760
	15.5. Accounts with budget for social insurance tax	7238	6803	10299	9680
	15.6. Accounts with budget for DR tax				
	15.7. Accounts with in advance paid amounts				
	15.8. Amounts expended for advance	77	16	110	23
	15.9. Accounts with salaries	12524	13139	17820	18695
	15.10. SAPARD means		5808		8264
	15.11. Accumulation for vacation	17193	14290	24463	20333
	TOTAL	61040	73450	86852	104510

IV General information

Average number of employees in a/s “Kurzemes CMAS” on 30 of September 2008 was 49, receiving salaries in total amount of 216223 LVL (307658 EUR). Calculated social tax 51251 LVL (72924 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 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