

Stock company

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

**ANNUAL REPORT  
Year 2009  
On December 31, 2009**

Jaunpils, Jaunpils parish, district Jaunpils

## Contents

Information about company	3 - 4
Administration report	5 - 6
Profit or loss statement	7
Balance	8 - 9
Own capital changes	10
Cash flow	11
Appendix	12 - 20

## Information about company

Name of the company	“Kurzemes ciltslietu un mākslīgās apsēklošanas stacija”
Legal status	Stock company
Registration No., place, date	<b>000301708</b> Rīga, 1991. gada 6.augustā Veikta pārreģistrācija Komercreģistrā 2004 gada 7. aprīlis ar vienoto reģistrācijas numuru 40003017085
Address	Jaunpils District Jaunpils LV-3145 Latvija
Share capital	<b>On 31 December 2009 LVL 438000 (EUR 623218)</b> <b>Nominal value of one share LVL 1.00 (EUR 1.42)</b> <b>Total number of shares 438000</b> All shares are registered shares with equal voting rights in shareholders’ meetings and giving the right to receive dividends and liquidation quota. <b>There are restrictions for the change of shareholders and do not exist any requirement for approval from the other shareholders of such change.</b> <b>There are no restrictions for voting rights and do not exist any similar restrictions.</b>
Major shareholders on extraordinary general meeting time on 15.06.2009	<b>Latvian Animal Breed Association SIA (37,25%)</b>  <b>SIA JL INDEX (10,39%)</b> <b>Pēteris Augustovs (7.23%)</b> <b>Gunārs Veska (6.13%)</b>
Names and positions of Board members	<b>Gatis Kaķis – Chairman of the Board</b> <b>Haralds Mozgirs – Member of the Board</b> <b>Sigita Lukaže – Member of the Board</b> <b>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.</b> <b>The chairman of the board rerepresents the company individually.</b> <b>There is no agreement between the company and the members of the board about any kind of compensations.</b>
Names and positions of Council members until 2009 June 15	<b>Gunārs Veska –Chairman of the Council</b> <b>Indra Martinsons – Member of the Council</b> <b>Nora Vildberga – Member of the Council</b> <b>Guna Seska – Member of the Council</b> <b>Guntis Ķigulis – Member of the Council</b>

Names and positions of Council members from 2009 June 15

**Indra Martinsone –Chairman of the Council  
Daiga Lielpinka – Member of the Council  
Ināra Kanska – Member of the Council  
Marita Spundiņa – Member of the Council  
Jānis Leimanis – Member of the Council**

Audit Committee

**Vaira Šķibeļe, SIA „Auditorfirma Padoms”  
(commercial licenses 68) auditor  
Sworn auditor  
certificate Nr. 24**

Annual year

**January 1st –December 31st, 2009**

Name and address of the sworn auditor

**SIA „Revidentu serviss” (LV48503004370)  
Krasta iela 4-39  
Dobele, LV-3701  
Latvija  
Responsible sworn auditor:  
Kaspars Rutkis  
Sworn auditor  
certificate Nr. 171**

## Management report

### Types of activities

JSC „Kurzesmes ciltslietu un mākslīgā apsēklošanas stacija” (hereinafter – the Company) principal activities are producing and sale of the semen from high-quality breeding animals (boars, bulls), animal breeding and artificial insemination related services, collection of milk control samples, as well as grain cultivation.

### Company activity during reporting year

In 2009 the Company turnover amounts to LVL 646 057 (EUR 919 256), that is by 21.7 % lower than in 2008. Company earnings after taxes is LVL 102 746 (EUR 146 194), that is by about 8.2 % higher than in previous reporting year. Earnings per share EPS LVL - 0.235 (LVL 0.217 in 2008).

In reporting year the Company has received state and EU subsidies in amount LVL 22866.39 (EUR 32535.94). Subsidies received for the keeping of breeding animals and EU area payments. In 2009 Joint Stock Company has purchased fixed assets for a total amount LVL 93228.30. Main purchases: grain kiln (real estate and equipment) for LVL 60832.81 (EUR 86557.29) and the tractor for LVL 19869.09 (EUR 28271.17). Fixed assets were sold for LVL 3202.19 (EUR 4556.31).

The main reasons for the reduction of turnover. Due to low purchase prices of grain in 2009 was sold only 25% of annual yield, the rest part (in the value of about 40 000 LVL) is planned to be sold in early 2010. In 2008, due to liquidation of horse-breeding industry the company had sold horses and gained additional unplanned LVL 40 000. Due to lower purchasing power and increased competition the Company was forced to reduce the bull semen sales prices on average by 15 %.

The Company has increased stocks of ready products. The stocks create primarily for two reasons. First: This is due to the fact that each year more bull bioproducts are produced than sold. Taking into account the specificity of Company activity, the ready products are sold mainly at the earliest after 3 years after the date of bioproduct freezing, when the animal has been evaluated. Second: At the end of each year, the Company also performs large purchases of import bioproduct, in order to offer customers wider choice of bioproduct in the beginning of the year. Twice a year the need for existing stocks is reviewed accordingly to market trends, and unnecessary (self-produced) bioproduct is written off. Bioproduct of high genetic quality can be kept long-term and sold for several years. The production cost price of written off self-produced bio product is taken into account when pricing existing bio product held for sale; with this the stock of bio products does not cause losses for Company.

### Research and development activities

Non

### Branches and representative offices abroad

Non

### Financial risk management

Company activity is subject to a variety of financial risks including credit risk, foreign exchange rate and interest rate fluctuation risks. Company management seeks to minimize adverse effect of potential financial risks on Company's financial position.

The Company is exposed to foreign exchange rate fluctuation risk arising from differences in currencies. As with 1 January 2005 lat rate was pegged to euro rate, the lat/euro fluctuations would be limited and a significant influence on financial results in future periods is not expected. Company management considers possibility to apply hedging instruments to reduce the influence of U.S. dollar exchange rate fluctuations.

Financial resources which potentially expose Company to a certain concentration of credit risk are primarily cash and trade receivables. At the end of reporting period the Company was not subjected to significant degree of concentration of credit risk, because no customer debt exceeded 5% of total amount of trade receivables. The Company has established and respect credit policy by selling goods on credit only to customers with good credit history and within the credit amount specified for each customer. Trade receivables are specified in recoverable value. Company's partners in cash transactions are local financial institutions with an appropriate credit history.

The Company follows the prudent liquidity risk management, ensuring that the appropriate credit resources are available to meet obligations within specified time. Company's management believes that the Company will have sufficient cash resources so its liquidity is would not be jeopardized.

#### **Circumstances and events after the end of reporting year**

In the time period since last day of the reporting year up to signing of the present report there have been no significant events which considerably affect the result of reporting year.

#### **Distribution of profit proposed by the Board**

Profit is to be distributed during general meeting of Company shareholders.

#### **Future prospects**

1. The reconstruction of breeding boar pigsty is intended attracting EU funds. Further technological modernization of laboratory.
2. To increase product sales – work towards effective pricing policy for products for sale, thus attracting new customers.
3. To continue to develop cereal cultivation sector, including purchase of additional agricultural land for the development of grain industry.
4. To continue to develop the breeding-related services.

---

Gatis Kaķis  
Chairman of the board

---

Sigita Lukaže  
Member of the Board

---

Haralds Mozgirs  
Member of the board

March 16, 2010

Annual report approved by participant assemblage 2009.year\_\_\_\_.

Chairman of participant assemblage\_\_\_\_\_

**PROFIT OR LOSS STATEMENT**  
(on turnover cost method)

No	Item	No. of app ..	On December 31 2009 LVL	On December 31 2008 LVL	On December 31 2009 EUR	On December 31 2008 EUR
1.	Net turnover	1.	646057	825634	919256	1174771
2.	Selling costs of finished goods	2.	(321580)	(443020)	(457567)	(630360)
3.	Gross profit or loss		324477	382614	461689	544411
4.	Selling costs	3.	(92121)	(147073)	(131076)	(209266)
5.	Administration costs	4.	(143843)	(174519)	(204670)	(248318)
6.	Other operating income	5.	31273	47339	44497	67357
7.	Other operating costs	6.	(600)	(1651)	(853)	(2349)
8.	Other interests receivable and similar income		262	362	372	515
9.	Profit or loss before extraordinary items and taxes		119448	107072	169959	152350
10	Tax on profit for the financial year		(14777)	(10946)	(21026)	(15575)
11	Other taxes	7.	(1925)	(1209)	(2739)	(1720)
12	Profit or loss for the financial year after taxes		102746	94917	146194	135055
13	Profit on 1 share EPS		0.235	0.217	0.334	0.308

Gatis Kaķis  
Chairman of the board

Sigita Lukaže  
Member of the Board

Haralds Mozgirs  
Member of the board

March 16, 2010

Appendixes on pages 12 to 20 is a part of the financial report.

**BALANCE on December 31, 2009**

ASSETS	NO .of app	31.12. 2009. LVL	31.12. 2008. LVL	31.12. 2009. EUR	31.12. 2008. EUR
<b>1.Long term assets</b>					
I Intangible assets:					
1.Concessions, patents, licences, trade marks and others		938	575	1335	818
I TOTAL	8.	938	575	1335	818
II Tangible assets:					
1. Land and buildings, perennial plants		227336	193663	323470	275558
2. Equipment and machinery		89036	79939	126687	113743
3. Other fixtures and fittings, tools and equipment		5424	7143	7717	10163
4. Advance payment for assets					
II TOTAL	9.	321796	280745	457874	399464
III Long term financial assets					
1. Other securities and capital participation		2480	2480	3529	3529
III TOTAL	10.	2480	2480	3529	3529
IV Biological assets					
1. Getter animals		36255	49510	51586	70446
IV TOTAL	11.	36255	49510	51586	70446
<b>Long term assets total</b>		<b>361469</b>	<b>333310</b>	<b>514324</b>	<b>474257</b>
<b>2.Current assets</b>					
I Stocks:					
1. Raw materials and consumables	12.	43246	32370	61534	46058
2. Work in progress	13.	4836	1369	6881	1948
3.Finished goods and goods for resale	14.	415727	325341	591526	462919
I TOTAL		463809	359080	659941	510925
II Long-term investments held for sale	15.	9117		12972	
III Debtors:					
1. Trade debtors		64303	61738	91495	87845
2. Other debtors		5533	356	7873	507
3. Next period costs		5323		7574	
III TOTAL	16.	75159	62094	106942	88352
IV Cash funds		126833	191680	180467	272736
<b>Current assets total</b>		<b>674918</b>	<b>612854</b>	<b>960322</b>	<b>872013</b>
<b>BALANCE</b>		<b>1036387</b>	<b>946164</b>	<b>1474646</b>	<b>1346270</b>

Appendixes on pages 12 to 20 is a part of the annual report



LIABILITIES	No. of app	31.12. 2009. LVL	31.12. 2008. LVL	31.12. 2009. EUR	31.12. 2008. EUR
<b>1.EQUITY CAPITAL</b>					
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		246240	164463	350368	234009
b) brought forward from profit and loss account for the current annual year		102746	94917	146194	135055
<b>Provision for liabilities and charges total</b>		<b>975568</b>	<b>885962</b>	<b>1388108</b>	<b>1260610</b>
<b>2.Creditors</b>					
I Short term creditors:					
1.Suppliers of goods and services		4063	6421	5781	9136
2.Company income tax		2681	3615	3815	5144
3.Taxes and social security payments		16143	20733	22970	29501
4. Other creditors		11729	12924	16689	18389
5. Paid in advance		6000		8537	
6. Next period income					
7. Accumulated liabilities		20203	16509	28746	23490
II TOTAL	17.	60819	60202	86538	85660
<b>BALANCE</b>		<b>1036387</b>	<b>946164</b>	<b>1474646</b>	<b>1346270</b>

Gatis Kaķis  
Chairman of the board

Sigita Lukaže  
Member of the Board

Haralds Mozgirs  
Member of the board

March 16, 2010

Appendixes on pages 12 to 20 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
<b>Left –over 31.12.2007.</b>	<b>438000</b>	<b>188582</b>	<b>222553</b>	<b>849135</b>	<b>623218</b>	<b>268328</b>	<b>316664</b>	<b>1208210</b>
2008-profit			94917	94917			135055	135055
Dividendes 2007.			(43800)	(43800)			(62322)	(62322)
Gifts and benefits			(14290)	(14290)			(20333)	(20333)
<b>Left -over 31.12.2008.</b>	<b>438000</b>	<b>188582</b>	<b>259380</b>	<b>885962</b>	<b>623218</b>	<b>268328</b>	<b>369064</b>	<b>1260610</b>
<b>Left –over 31.12.2008.</b>	<b>438000</b>	<b>188582</b>	<b>259380</b>	<b>885962</b>	<b>623218</b>	<b>268328</b>	<b>369064</b>	<b>1260610</b>
2009-profit			102746	102746			146194	146194
Dividendes 2008			(13140)	(13140)			(18696)	(18696)
<b>Left –over 31.12.2009.</b>	<b>438000</b>	<b>188582</b>	<b>348986</b>	<b>975568</b>	<b>623218</b>	<b>268328</b>	<b>496562</b>	<b>1388108</b>

---

Gatis Kaķis  
Chairman of the board

---

Sigita Lukaže  
Member of the Board

---

Haralds Mozgirs  
Member of the board

March 16, 2010

Appendixes on pages 12 to 20 is a part of the financial report.

**CASH FLOW OVERVIEW**

No	Items of incomes and costs	On December 31, 2009 LVL	On December 31, 2008 LVL	On December 31, 2009 EUR	On December 31, 2009 EUR
<b>1.</b>	<b>Cash flow from operating activities</b>				
	<u>1.1 Profit or loss before extraordinary posts and taxes</u>	<b>119457</b>	<b>107072</b>	<b>169972</b>	<b>152350</b>
	Corrections:				
	a) depreciation of fixed assets	<b>43208</b>	<b>37939</b>	<b>61479</b>	<b>53982</b>
	b) Loss from changes of foreign currency exchange rate	<b>-436</b>	<b>-1651</b>	<b>-620</b>	<b>-2349</b>
	<u>1.2. Profit from operating activities of the annual year</u>	<b>162229</b>	<b>143360</b>	<b>230831</b>	<b>203983</b>
	Corrections:				
	a) increase of left –overs of debtors debts	<b>32182</b>	<b>-21933</b>	<b>45791</b>	<b>-31208</b>
	b) decrease of stock	<b>-104729</b>	<b>40293</b>	<b>-149016</b>	<b>57332</b>
	c) decrease of creditors debts	<b>-617</b>	<b>-14352</b>	<b>-878</b>	<b>-20421</b>
	<u>1.3. Income from operating activities exceed over expenses</u>	<b>89065</b>	<b>147368</b>	<b>126728</b>	<b>209686</b>
	<u>1.4. Cash paid for taxes</u>	<b>-51008</b>	<b>-57590</b>	<b>-72578</b>	<b>-81943</b>
	<u>1.5. Cash flow before extraordinary posts</u>	<b>38057</b>	<b>89778</b>	<b>54150</b>	<b>127743</b>
	<u>1.6. Income from extraordinary posts</u>				
	<u>1.7. Net income from operating activities</u>	<b>38057</b>	<b>89778</b>	<b>54150</b>	<b>127743</b>
<b>2.</b>	<b>Investments cash flow</b>				
	2.1. Costs for fixed assets	<b>-93228</b>	<b>-4233</b>	<b>-132652</b>	<b>-6023</b>
	2.2. Income from sold fixed assets	<b>3202</b>	<b>8322</b>	<b>4556</b>	<b>11841</b>
	2.3. Income from interest	<b>262</b>	<b>362</b>	<b>373</b>	<b>515</b>
	<u>2.4. Net costs of investment activities</u>	<b>-89764</b>	<b>4451</b>	<b>-127723</b>	<b>6333</b>
<b>3.</b>	<b>Financial activity cash flow</b>				
	3.1. Costs for dividends	<b>-13140</b>	<b>-43800</b>	<b>-18696</b>	<b>-62322</b>
	<u>3.2. Net costs of financial activities</u>	<b>-13140</b>	<b>-43800</b>	<b>-18696</b>	<b>-62322</b>
<b>4.</b>	<b>Increase or decrease of net cash</b>	<b>-64847</b>	<b>50429</b>	<b>-92269</b>	<b>71754</b>
<b>5.</b>	<b>Left –over in the beginning of annual year</b>	<b>191680</b>	<b>141251</b>	<b>272736</b>	<b>200982</b>
<b>6.</b>	<b>Left –over in the end of annual year</b>	<b>126833</b>	<b>191680</b>	<b>180467</b>	<b>272736</b>

Gatis Kaķis  
Chairman of the board

Sigita Lukaže  
Member of the Board

Haralds Mozgirs  
Member of the board

March 16, 2010

Appendixes on pages 12 to 20 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”, 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>31.12.2009</i>	<i>31.12.2008</i>
<i>USD</i>	0.489	0.495
<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. Fixed assets held for sale*

Fixed asset is to be considered as assets held for sale when it is prepared for immediate sale, the Company's management has decide to sell the assets and has initiated dynamic implementation of this decision. Fixed assets held for sale are included in balance sheet as current assets. Held for sale assets are evaluated at the lower of balance sheet value and fair value deducting expenses which will be needed to sell the asset.

If the decision is made not to sell asset previously specified as held for sale, it shall be immediately reclassified back to a proper long-term investment item. Such long-term investment is evaluated at the lower of balance sheet value of this asset before the transfer to held for sale assets and recoverable value of this asset on the moment of decision not to sell it.

### *6. 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

### *7. 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.

### 8. Subsidies, dotations

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.

### 9. 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.

### 10. 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.

### 11. Cash and its equivalents

In cash flow statement cash and its equivalents consists of cash money and left –overs of running bank accounts

### 12. 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	31.12.09. LVL	31.12.08. LVL	31.12.09. EUR	31.12.08. EUR
<b>1.</b>	<b>Net turnover:</b>				
	1.1. Animal semen	438852	539252	624430	767286
	1.2. Artificial insemination services	52550	51011	74772	72582
	1.3. Livestock and other production	10904	51751	15515	73635
	1.4. Grain sale	38847	67469	55274	96000
	1.5. Linear evaluation of cows	24897	29660	35425	42202
	1.6. Milk sample collection	42793	43084	60889	61303
	1.7. Grain kiln services	6929		9859	

	1.8. Other	30285	43407	43092	61763
	<b>IN TOTAL</b>	<b>646057</b>	<b>825634</b>	<b>919256</b>	<b>1174771</b>
<b>2.</b>	<b>Productional expenses for sol production</b>				
	2.1. Labour costs	104086	139784	148101	198895
	2.2. Social insurance payments	24421	32882	34748	46787
	2.3. Depreciation deductions	40628	34934	57808	49707
	2.4. Fodder costs	11528	16454	16403	23412
	2.5. Fuel costs	33354	45567	47458	64836
	2.6. Electricity costs	5839	5415	8308	7705
	2.7. Telecommunication services	3016	4962	4292	7060
	2.8. Repair services	8885	4451	12642	6333
	2.9. Gas costs	11843	6409	16851	9119
	2.10. Fertilizer and chemical costs	6246	12518	8888	17811
	2.11. Materials and spare parts	24424	35026	34752	49838
	2.12. Various services	17149	39065	24401	55584
	2.13. Other expenses	30161	65553	42915	93274
	<b>IN TOTAL</b>	<b>321580</b>	<b>443020</b>	<b>457567</b>	<b>630361</b>
<b>3.</b>	<b>Selling costs</b>				
	3.1. Labour costs	60460	58811	86027	83681
	3.2. Social insurance payments	14404	13290	20495	18910
	3.3. Transport costs	11807	12258	16800	17441
	3.4. Other expenses	5450	62714	7754	89234
	<b>IN TOTAL</b>	<b>92121</b>	<b>147073</b>	<b>131076</b>	<b>209266</b>
<b>4.</b>	<b>Administrative expenses</b>				
	4.1. Labour costs	80072	89848	113932	127842
	4.2. Social insurance payments	18414	22327	26201	31769
	4.3. Depreciation deductions	2580	3197	3671	4549
	4.4. Transport costs	10003	8696	14233	12373
	4.5. Office expenses	14055	18881	19998	26865
	4.6. Other expenses	18719	31570	26635	44920
	<b>IN TOTAL</b>	<b>143843</b>	<b>174519</b>	<b>204670</b>	<b>248318</b>
<b>5.</b>	<b>Other operating income</b>				
	5.1. Realization of fixed assets	3093	3115	4401	4432
	5.2. Excise tax for diesel fuel used in agric.	5171	4067	7358	5787
	5.3. Subsidies from Agriculture Ministry	22866	37814	32535	53804
	5.4. Changes of currency exchange rate	5		7	
	5.5. Dividends of SIA Latvijas šķirnes dzīvnieku audzētāju savienības	100		142	
	5.6. Other income	38	2343	54	3334
	<b>TOTAL</b>	<b>31273</b>	<b>47339</b>	<b>44497</b>	<b>67357</b>
<b>6.</b>	<b>Other operating costs</b>				
	6.1. Changes of currency exchange rate		1651		2349
	6.2. Other expenses	600		853	



	<b>TOTAL</b>	<b>600</b>	<b>1651</b>	<b>853</b>	<b>2349</b>
<b>7.</b>	<b>Other taxes</b>				
	7.1. Nature resource tax	450		640	
	7.2. Property tax	1475	1209	2099	1720
	<b>TOTAL</b>	<b>1925</b>	<b>1209</b>	<b>2739</b>	<b>1720</b>

### III Information on balance on December 31, 2009

Nr. p. k.		Start value LVL	Depreciation LVL	Current value LVL	Start value EUR	Depreciation EUR	Current value EUR
<b>8.</b>	<b>Intangible investments</b>						
	8.1. Computer programmes	1578	640	938	2245	910	1335
	<b>Total</b>	<b>1578</b>	<b>640</b>	<b>938</b>	<b>2245</b>	<b>910</b>	<b>1335</b>

LVL

Nr. p. k.		Land, buildings, perennial plants	Tehnological equipment and machinery	Other fixed assets and inventory	<u>Total</u>
<b>9.</b>	<b>The initial value of 31.12.2008</b>	212278.60	306775.86	28290.91	547345.37
	Acquired or created in 2009	45750.94	46693.70	783.66	93228.30
	Excluded in 2009	211.00	5183.80	1637.15	7031.95
	Transferred to another item	13393.00			13393.00
	<b>The initial value of 31.12.2009</b>	244425.54	348285.76	27437.42	620148.72
	<b>Depreciation 31.12.2008.</b>	18615.80	226836.68	21147.93	266600.41
	Calculated in 2009	2851.32	37597.32	2503.02	42951.66
	Excluded in 2009	102.24	5183.80	1637.15	6923.19
	Transferred to another item	4275.76			4275.76
	<b>Depreciation 31.12.2009.</b>	17089.12	259250.20	22013.80	298353.12
	<b>Book value 31.12.2008</b>	<b>193662.80</b>	<b>79939.18</b>	<b>7142.98</b>	<b>280744.96</b>
	<b>Book value 31.12.2009</b>	<b>227336.42</b>	<b>89035.56</b>	<b>5423.62</b>	<b>321795.60</b>

EUR

Nr. p. k.		Land, buildings, perennial plants	Tehnological equipment and machinery	Other fixed assets and inventory	<u>Total</u>
<b>9.</b>	<b>The initial value of 31.12.2008</b>	302045.24	436502.72	40254.34	778802.30
	Acquired or created in 2009	65097.72	66439.15	1115.05	132651.92
	Excluded in 2009	300.23	7375.88	2329.45	10005.56
	Transferred to another item	19056.52			19056.52
	<b>The initial value of 31.12.2009</b>	347786.21	495565.99	39039.93	882392.13
	<b>Depreciation 31.12.2008.</b>	26487.90	322759.52	30090.79	379338.21
	Calculated in 2009	4057.06	53496.17	3561.48	61114.71
	Excluded in 2009	145.47	7375.88	2329.45	9850.81
	Transferred to another item	6083.86			6083.86
	<b>Depreciation 31.12.2009.</b>	24315.63	368879.80	31322.81	424518.24
	<b>Book value 31.12.2008</b>	<b>275557.34</b>	<b>113743.21</b>	<b>10163.54</b>	<b>399464.09</b>
	<b>Book value 31.12.2009</b>	<b>323470.58</b>	<b>126686.19</b>	<b>7717.12</b>	<b>457873.89</b>

Nr. p. k.		31.12.09. LVL	31.12.08. LVL	31.12.09. EUR	31.12.08. EUR
<b>10.</b>	<b>Long term financial assets</b>				
	10.1. Shares in SIA Latvijas šķirnes dzīvnieku audzētāju savienība	2000	2000	2846	2846
	10.2. Shares in SIA Piensaimnieku laboratorija	480	480	683	683
	<b>TOTAL</b>	<b>2480</b>	<b>2480</b>	<b>3529</b>	<b>3529</b>
<b>11.</b>	<b>Biological assets</b>				
	11.1. Getter bulls	29050	43616	41334	62060
	11.2. Getter boars	7205	5894	10252	8386
	<b>TOTAL</b>	<b>36255</b>	<b>49510</b>	<b>51586</b>	<b>70446</b>
<b>12.</b>	<b>Raw materials and consumables</b>				
	12.1. Materials	9182	9353	13065	13308
	12.2. Mineral fertilizers and chemicals	1077	2578	1532	3668
	12.3. Grain and seedcorn	24300	12784	34576	18190
	12.4. Fuel and lubricants	2110	2108	3002	2999
	12.5. Wood	948	572	1349	814
	12.6. Animal feed	5629	4975	8010	7079
	<b>TOTAL</b>	<b>43246</b>	<b>32370</b>	<b>61534</b>	<b>46058</b>
<b>13.</b>	<b>Production in progress</b>				
	13.1. Winter crops	4836	1369	6881	1948
	<b>TOTAL</b>	<b>4836</b>	<b>1369</b>	<b>6881</b>	<b>1948</b>
<b>14.</b>	<b>Finished goods and goods for resale</b>				
	14.1. Frozen bulls sperm	415710	325324	591502	462895
	14.2. Boars sperm				
	14.3. Frozen stallions sperm	17	17	24	24
	<b>TOTAL</b>	<b>415727</b>	<b>325341</b>	<b>591526</b>	<b>462919</b>
<b>15.</b>	<b>Long-term investments held for sale</b>				
	15.1. Kuldīga chapter houses for sale	9117		12972	
	<b>TOTAL</b>	<b>9117</b>		<b>12972</b>	
<b>16.</b>	<b>Debtors</b>				
	16.1.1. Trade debtors	66559	64177	94705	91316
	16.1.2. Accumulation for debts	2256	2439	3210	3471
	16.1.3. Balance value of trade debts	<b>64303</b>	<b>61738</b>	<b>91495</b>	<b>87845</b>
	16.2. Excise tax reimbursement of agricultural activity	5171		7358	
	16.3. Payments for advance amounts	362	356	515	507
	16.4. Prepaid expenses	5323		7574	

	<b>TOTAL</b>	<b>75159</b>	<b>62094</b>	<b>106942</b>	<b>88352</b>
<b>17.</b>	<b>Short term liabilities</b>				
	17.1. Suppliers of goods and services	4063	6421	5781	9137
	17.2. Accounts with budget for income tax	2681	3615	3815	5144
	17.3. Accounts with budget for VAT	4657	3337	6626	4748
	17.4. Accounts with budget for inhab. income tax	4127	6609	5872	9404
	17.5. Accounts with budget for social insurance tax	7156	10736	10182	15276
	17.6. Accounts with budget for DR tax	193	39	275	55
	17.7. Accounts with in advance paid amounts	10	12	14	17
	17.8. Amounts expended for advance	9		13	
	17.9. Accounts with salaries	11719	12924	16675	18389
	17.10. Received an advance on the buildings in Kuldiga	6000		8537	
	17.11. Accrued liabilities to suppliers	5639		8024	
	17.12. Accumulation for vacation	14565	16509	20724	23490
	<b>TOTAL</b>	<b>60819</b>	<b>60202</b>	<b>86538</b>	<b>85660</b>

#### *IV General information*

Average number of employees in a/s “Kurzemes CMAS” on 31st of December 2009 was 45, receiving salaries in total amount of 247380 LVL ( 351990 EUR). Calculated social tax 79944 LVL ( 113750 EUR).

Following taxes were paid in 2009:

<i>LVL</i>				
<i>Kind of tax</i>	<i>Left –over on 31.12.2008</i>	<i>Calculated in 2009</i>	<i>Paid in 2009</i>	<i>Left over on 31.12.2009</i>
<i>Company income tax</i>	3614.88	14776.60	15710.88	2680.60
<i>Value added tax</i>	3337.08	136333.73	135013.61	4657.20
<i>Social tax</i>	10736.24	79944.10	83524.36	7155.98
<i>Inhabitants income tax</i>	6609.15	43292.13	45774.41	4126.87
<i>Nature resource tax</i>	38.58	192.92	38.58	192.92
<i>Property tax</i>		1475.09	1475.09	
<i>Risk duty</i>	12.25	135.50	138.00	9.75
<b><i>TOTAL</i></b>	<b>24348.18</b>	<b>276150.07</b>	<b>281674.93</b>	<b>18823.32</b>

<i>EUR</i>				
<i>Kind of tax</i>	<i>Left –over on 31.12.2008</i>	<i>Calculated in 2009</i>	<i>Paid in 2009</i>	<i>Left –over on 31.12.2009</i>
Company income tax	5143.51	21025.21	22354.57	3814.15
Value added tax	4748.24	193985.42	192107.06	6626.60
Social tax	15276.29	113750.21	118844.46	10182.04
Inhabitants income tax	9403.97	61599.15	65131.12	5872.00
Nature resource tax	54.90	274.50	54.90	274.50
Property tax		2098.86	2098.86	
Risk duty	17.43	192.80	196.36	13.87
<b>TOTAL</b>	<b>34644.34</b>	<b>392926.15</b>	<b>400787.33</b>	<b>26783.16</b>

Members of the Board receive monthly reimbursement for execution of functions in the amount of minimum salary. Members of the Council receive monthly reimbursement for execution of functions in amount of LVL 100.00 per month after taxes. President of the Council receives monthly reimbursement for execution of functions in amount of LVL 150.00 per month after taxes.

The company has no transactions with related persons. The company has not granted any guarantees, warranties and pledges, nor is there any legal action.

In 2010, sworn auditor services reimbursed 750 LVL (1067 EUR) without VAT.

Stock company „Kurzemes ciltslietu un mākslīgās apsēklošanas stacija”

## STATEMENT ABOUT MANAGEMENT LIABILITY

According to our information financial report for the 6 months of 2009 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

# INDEPENDENT AUDITORS' REPORT

To the Shareholders of  
**KURZEMES CILTSLIETU UN MĀKSLĪGĀS APSĒKĻOŠANAS STACIJA AS**

## Report on the Financial Statements

We have audited the accompanying financial statements on pages 7 to 20 of KURZEMES CILTSLIETU UN MĀKSLĪGĀS APSĒKĻOŠANAS STACIJA AS which comprise the balance sheet as of 31 December 2009 and the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of the Annual Accounts Act of the Republic of Latvia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted by the Latvian Association of certified auditors. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

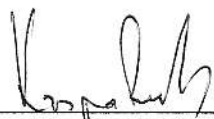
### Opinion

In our opinion, excepting circumstanced influence on financial statements that is described in previous paragraphs, previously named financial statement gives real and clear concept about KURZEMES CILTSLIETU UN MĀKSLĪGĀS APSĒKĻOŠANAS STACIJA AS financial standing on 31-th of December, 2009, as well as about it financial results and cash flows in 2009 in accordance with the requirements of the Annual Accounts Act of the Republic of Latvia.

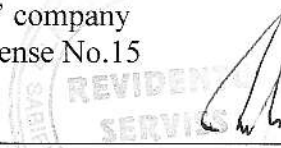
## Report on the Management Report

We have read the Management Report set out on pages 5 to 6 and did not identify material inconsistencies between the financial information contained in the Management Report and that contained in the financial statements for 2009.

Revidentu serviss SIA  
 Certified auditors' company  
 Audit company license No.15



Kaspars Rutkis  
 Responsible certified auditor  
 Certificate No. 171



Mag.sc.soc., Aivars Rutkis  
 Chairman of of the Board

Dobele, Latvia, 16 March 2010.