

Stock company

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

ANNUAL REPORT
Year 2009
On June 30, 2009

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 (37.25%) JL INDEX SIA (10.39%) Pēteris Augustovs (7.23%) Gunārs Veska (6.13%)
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	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
Annual year	January 1st –June 30th, 2008
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

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 June 2009 is LVL 320357 (EUR 455827). Stock companie's profit after paying taxes is LVL 53403 (EUR 75985).

Enterprise from state and EU subsidie's there were receive LVL 12726 (EUR 18108) in year of account. Subsidie's have received for breed material in foreign countries, breed animals maintenance and payments for EU area.

In 2009 stock company has purchased fixed assets for total amount LVL 86839 (EUR 123561).

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

July 17 st,2009

PROFIT OR LOSS STATEMENT
(on turnover cost method)

No	Item	No. of app ..	On June 30 2009 LVL	On June 30 2008 LVL	On June 30 2009 EUR	On June 30 2008 EUR
1.	Net turnover	1.	320357	391586	455827	557177
2.	Selling costs of finished goods	2.	(144963)	(209445)	(206264)	(298013)
3.	Gross profit or loss		175394	182141	249563	259164
4.	Selling costs		(56874)	(55339)	(80924)	(78741)
5.	Administration costs		(77278)	(77014)	(109957)	(109581)
6.	Other operating income	3.	13454	23719	19143	33749
7.	Other operating costs	4.	0	(1104)		(1571)
8.	Other interests receivable and similar income		182	193	259	275
9.	Profit or loss before extraordinary items and taxes		54878	72596	78084	103295
10	Tax on profit for the financial year					
11	Other taxes	5.	(1475)	(1209)	(2099)	(1720)
12	Profit or loss for the financial year after taxes		53403	71387	75985	101575
13	Profit on 1 share EPS		0.122	0.163	0.173	0.232

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

BALANCE on June 30, 2009

ASSETS	NO .of app	30.06. 2009. LVL	30.06. 2008. LVL	30.06. 2009. EUR	30.06. 2008. EUR
1.Long term assets					
I Intangible assets:					
1.Concessions, patents, licences, trade marks and others		798	767	1135	1091
I TOTAL	6.	798	767	1135	1091
II Tangible assets:					
1. Land and buildings, perennial plants		239414	195258	340656	277827
2. Equipment and machinery		120600	117427	171598	167084
3. Other fixtures and fittings, tools and equipment		7570	9700	10771	13802
4. Advance payment for assets					
II TOTAL	7.	367584	322385	512025	458713
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		45125	69674	64207	99137
IV TOTAL	9.	45125	69674	64207	99137
Long term assets total		415987	395306	591896	562470
2.Current assets					
I Stocks:					
1. Raw materials and consumables	10.	21460	36436	30535	51844
2. Work in progress	11.	1368	1362	1946	1938
3.Finished goods and goods for resale	12.	359304	314191	511244	447054
4. Productive animals	13.		4901		6973
I TOTAL		382132	356890	543725	507809
II Debtors:					
1. Trade debtors		59414	79130	84539	112592
2. Other debtors		3281	7466	4668	10623
3. Next period costs			750		1067
II TOTAL	14.	62695	87346	89207	124282
III Cash funds		125197	106953	178139	152180
Current assets total		570024	551189	811071	784271
BALANCE		986011	946495	1402967	1346741

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

AS „KURZEMES CMAS” NEREVIDĒTS 2009.gada I pusgada PĀRSKATS

LIABILITIES	No. of app	30.06. 2009. LVL	30.06. 2008. LVL	30.06. 2009. EUR	30.06. 2008. 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		246240	169073	350368	240569
b) brought forward from profit and loss account for the current annual year		53403	71387	75985	101575
Provision for liabilities and charges total		926225	867042	1317899	1233690
2.Creditors					
I Short term creditors:					
1.Suppliers of goods and services		6888	24668	9801	35099
2.Company income tax					
3.Taxes and social security payments		22338	20446	31784	29092
4. Other creditors		14051	17146	19993	24397
5. Next period income					
6. Accumulated liabilities		16509	17193	23490	24463
II TOTAL	15.	59786	79453	85068	113051
BALANCE		986011	946495	1402967	1346741

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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 31.12.2007.	438000	188582	222553	849135	623218	268328	316664	1208210
2008-profit			71387	71387			101575	101575
Gifts and benefits			(9680)	(9680)			(13773)	(13773)
Dividendes			(43800)	(43800)			(62322)	(62322)
Left –over 30.06.2008.	438000	188582	240460	867042	623218	268328	342144	1233690
Left –over 31.12.2008.	438000	188582	259380	885962	623218	268328	369064	1260610
2009-profit			53403	53403			75985	75985
Dividendes			(13140)	(13140)			(18696)	(18696)
Left –over 30.06.2009.	438000	188582	299643	926225	623218	268328	426353	1317899

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CASH FLOW OVERVIEW

No	Items of incomes and costs	On June 30 2009 LVL	On June 30 2008 LVL	On June 30 2009 EUR	On June 30 2008 EUR
1.	Cash flow from operating activities				
	<u>1.1 Profit or loss before extraordinary posts and taxes</u>	54878	72596	78084	103295
	Corrections:				
	a) depreciation of fixed assets				
	b) Loss from changes of foreign currency exchange rate	(53)	1345	(75)	1914
	<u>1.2. Profit from operating activities of the annual year</u>	54825	73941	78009	105209
	Corrections:				
	a) increase of left –overs of debtors debts	25242	21041	35916	29939
	b) decrease of stock	19651	(30984)	27961	(44087)
	c) decrease of creditors debts	416	14698	592	20913
	<u>1.3. Income from operating activities exceed over expenses</u>	100134	78246	142478	111334
	<u>1.4. Cash paid for taxes</u>	(67485)	(64489)	(96023)	(91760)
	<u>1.5. Cash flow before extraordinary posts</u>	32649	13757	46455	19574
	<u>1.6. Income from extraordinary posts</u>				
	<u>1.7. Net income from operating activities</u>	32649	13757	46455	19574
2.	Investments cash flow				
	2.1. Costs for fixed assets	(86839)	(10422)	(123561)	(14829)
	2.2. Income from sold fixed assets	665	5974	946	8500
	2.3. Income from interest	182	193	259	275
	<u>2.4. Net costs of investment activities</u>	(85992)	(4255)	(122356)	(6054)
3.	Financial activity cash flow				
	3.1. Costs for dividends	(13140)	(43800)	(18696)	(62322)
	<u>3.2. Net costs of financial activities</u>	(13140)	(43800)	(18696)	(62322)
4.	Increase or decrease of net cash	(66483)	(34298)	(94597)	(48802)
5.	Left –over in the beginning of annual year	191680	141251	272736	200982
6.	Left –over in the end of annual year	125197	106953	178139	152180

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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>30.06.2009</i>	<i>30.06.2008</i>
<i>USD</i>	<i>0.501</i>	<i>0.447</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 expluation.

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

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 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	30.06.09. LVL	30.06.08. LVL	30.06.09. EUR	30.06.08. EUR
1.	Net turnover:				
	1.1. Domestic animals` sperm	219968	267206	312986	380200
	1.2. Artificial insemination services	24134	24120	34339	34320
	1.3. Cattle and production	5601	41039	7970	58393
	1.4. Other	70654	59221	100532	84264
	TOTAL	320357	391586	455827	557177
2.	Purchase costs for sold goods				
	2.1. Salaries	84483	104554	120208	148767
	2.2. social insurance tax	20022	24779	28489	35257
	2.3. Animal feed costs	8137	11802	11578	16793
	2.4. Fuel costs	13600	19860	19351	28258
	2.5. Electricity costs	2345	2959	3337	4210
	2.6. Telephones, communications	1362	2469	1938	3513
	2.7. Repair works	4775	8730	6794	12422
	2.8. Other costs	10239	34292	14569	48793
	TOTAL	144963	209445	206264	298013
3.	Other operating income				
	3.1. Realization of fixed assets	665	5974	946	8500
	3.2. Excise tax for diesel fuel used in agric.				
	3.3. Subsidies from Agriculture Ministry	12726	16171	18108	23009
	3.4. Changes of currency exchange rate	53		75	
	3.5. Income from sold certificates				

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	3.6. Insurance refund				
	3.7. Dividends of SIA Latvijas šķirnes dzīvnieku audzētāju savienības				
	3.8. Other income	10	1574	14	2240
	TOTAL	13454	23719	19143	33749
4.	Other operating costs				
	4.1. Left value of fixed assets				
	4.2. Changes of currency exchange rate		1104		1571
	4.3. Other expenses				
	TOTAL		1104		1571
5.	Other taxes				
	5.1. Nature resource tax				
	5.2. Property tax	1475	1209	2099	1720
	TOTAL	1475	1209	2099	1720

III Information on balance on June 30, 2009

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	1181	383	798	1680	545	1135
	Total	1181	383	798	1680	545	1135
7.	Tangible assets						
	7.1. Land, buildings, perennial plants	258030	18616	239414	367144	26488	340656
	Including land	124329		124329	176904		176904
	7.2. Technological equipment and machinery	347436	226836	120600	494357	322759	171598
	7.3. Other fixed assets and inventory	28718	21148	7570	40862	30091	10771
	Total	634184	266600	367584	902363	379338	512025

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Nr. p. k.		30.06.09. LVL	30.06.08. LVL	30.06.09. EUR	30.06.08. 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	38521	61502	54810	87509
	9.2. Getter boars	6604	8172	9397	11628
	TOTAL	45125	69674	64207	99137
10.	Raw materials and consumables				
	10.1. Materials	11009	10830	15664	15410
	10.2. Mineral fertilizers and chemicals	370	18641	527	26524
	10.3. Fuel and lubricants	1855	2013	2639	2864
	10.4. Wood	88	77	125	110
	10.5. Grain and seedcorn	1889		2688	
	10.6. Animal feed	6249	4875	8892	6936
	TOTAL	21460	36436	30535	51844
11.	Production in progress				
	11.1. Winter crops	1368	1362	1946	1938
	TOTAL	1368	1362	1946	1938
12.	Finished goods and goods for resale				
	12.1. Frozen bulls sperm	359287	314174	511220	447030
	12.2. Boars sperm				
	12.3. Frozen stallions sperm	17	17	24	24
	TOTAL	359304	314191	511244	447054
13.	Productive animals				
	13.1. Colts and young horses		4901		6973
	TOTAL	0	4901	0	6973
14.	Debtors				
	14.1.1. Trade debtors	61853	81437	88009	115874
	14.1.2. Accumulation for debts	2439	2307	3470	3282
	14.1.3. Balance value of trade debts	59414	79130	84539	112592
	14.2. Overpaid company income tax	3024	7338	4303	10441
	14.3. Payments for advance amounts	257	128	365	182
	14.4. Advance payment for biedru naudas		750		1067
	TOTAL	62695	87346	89207	124282
15.	Short term liabilities				

15.1. Suppliers of goods and services	6888	24668	9801	35099
15.2. Accounts with budget for income tax				
15.3. Accounts with budget for VAT	10586	5668	15063	8065
15.4. Accounts with budget for inhab. income tax	4067	5558	5787	7908
15.5. Accounts with budget for social insurance tax	7684	9220	10933	13119
15.6. Accounts with budget for DR tax				
15.7. Accounts with in advance paid amounts				
15.8. Amounts expended for advance	78	101	111	144
15.9. Accounts with salaries	13974	17045	19883	24253
15.10. Accumulation for vacation	16509	17193	23490	24463
TOTAL	59786	79453	85068	113051

IV General information

Average number of employees in a/s “Kurzemes CMAS” on 30th of June, 2009 was 46, receiving salaries in total amount of 123721 LVL (176039 EUR). Calculated social 28633 LVL (40741 EUR).

Board members receive monthly payment -one minimum salary – for fulfilling functions. The salary for the members of the Council was stated: the chairman of the Council - LVL 150.00 (one hundred fifty Lats) per month after the tax, other members of the Council - LVL 100.00 (one hundred Lats) per month after tax.

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

STATEMENT ABOUT MANAGEMENT LIABILITY

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

Member of the board SIGITA LUKAŽE

Member of the board HARALDS MOZGIRS