

Joint stock Company

**“SIGULDAS ARTIFICIAL INSEMINATION
AND STOCK BREEDING STATION”**

Reg. No. 40003013295

**ANNUAL REPORT
For the year ended 31 December 2004**

Rīga district Sigulda village

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MANAGEMENT REPORT

FINANCIAL DEVELOPMENT

The profit before taxes for the year 2004 was LVL 84070 (EUR 119587) and has increased for LVL 80034 (EUR 113846) in comparison to the profit of year 2003 of LVL 4036 (EUR 5741).

The profit of reporting year is due to the changes in the value of inventory of finished goods as well as due to the increased turnover of 27%. The increase of turnover was caused by the 17% rise in the milk analysis services in comparison to the previous reporting year.

Commercial profitability for the year 2004 was 17.1% which is 12.4% points higher than for the year 2003 when commercial profitability was 4.7%.

INVESTMENTS

There have been following long-term investments in 2004:

- 1) Fixed assets – for the total amount of LVL 41851 (EUR 59532), including LVL 7510 (EUR 10683) for building the cold water trunk-line.
- 2) Renovation of stable manure conveyer, office and hall for the total amount of LVL 10439 (EUR 14849).
- 3) The costs of LVL 2350 (EUR 3343) for setting up a technical project for the renovation of milk analysis laboratory.

EVENTS AFTER THE DATE OF BALANCE SHEET

From the time when the balance sheet is dated up to the date when the financial report is being published no significant events have taken place that could have had an effect on the estimations of the annual report.

DEVELOPMENT ACTIVITIES OF THE COMPANY

In 2005:

- 1) Company will continue to carry out and to implement the quality ensuring system in accordance with the requirements of ISO 9001 Standards.
- 2) Company will keep on applying for the state subsidies to cover the part of the costs for keeping high-quality breeding bulls.
- 3) With the aim of business expansion company is planning to purchase additional equipment for the improvement and replacement of old equipment of the testing laboratory.

PROPOSAL FOR THE DISPOSE OF PROFIT

The board proposes to pay out the profit of LVL 21122.00 (EUR 30046) of the reporting year in dividends LVL 0.05 (EUR 0.071) per share.

Chairman of the board

Nils Ivars Feodorovs

Members of the board

Māra Buka

Valda Mālniece

FINANCIAL REPORT

BALANCE SHEET on 31 December 2004

ASSETS	Annex No	31.12. 2004. LVL	31.12. 2003. LVL	31.12. 2004. EUR	31.12. 2003. EUR
1.	2.	3.	4.	5.	6.
1. Long-term investments					
I Intangible assets:					
1. Concessions, patents, licences and similar rights		26	114	37	162
I Total	1.	26	114	37	162
II Fixed assets:					
1. Land, buildings, perennial plantations		100075	104196	142354	148216
2. Non-current investments in leasehold improvements		12180	4523	17326	6434
3. Equipment and machinery		22294	19289	31713	27438
4. Other fixtures, fittings and equipment		19256	17430	27391	24794
5. Costs of up-building of fixed assets and unfinished buildings		2350	0	3343	0
6. Advance payment for fixed assets		0	75	0	106
II Total	2.	156155	145513	222127	206988
III Non-current financial investments					
1. Other securities and investments		3480	3275	4950	4659
III Total		3480	3275	4950	4659
Total of paragraph 1		159661	148902	227114	211809
2. Current assets					
I Inventories:					
1. Raw materials and auxiliary materials		9615	13052	13677	18566
2. Finished goods and goods for sale		224435	206847	319253	294235
3. Prepayments for goods		3158	640	4492	911
4. Productive animals		46817	28030	66596	39872
I Total		284025	248569	404018	353584
II Receivables:					
1. Trade receivables	3.	37038	31373	52686	44627
2. Other receivables	4.	752	337	1070	479
3. Prepaid expense		3433	3803	4883	5410
II Total		41223	35513	58639	50516
III Cash		78057	33778	111034	48048
Total of paragraph 2		403305	317860	573691	452148
BALANCE		562966	466762	800805	663957

EQUITY AND LIABILITIES	Annex No	31.12. 2004. LVL	31.12. 2003. LVL	31.12. 2004. EUR	31.12. 2003. EUR
1.	2.	3.	4.	5.	6.
1. Capital and Reserves					
1. Share capital		422440	422440	600910	600910
2. Retained earnings:					
a) brought forward		10984	15566	15625	22142
b) for the period		81562	3867	116020	5501
Total of paragraph 1		514986	441873	732555	628553
2. Liabilities					
I Long-term liabilities:					
1. Other liabilities	5.	3531	1025	5023	1458
I Total		3531	1025	5023	1458
II Current liabilities:					
1. Other liabilities	6.	3794	1638	5397	2330
2. Prepayments received from costumers		0	424	0	603
3. Trade payables		16748	8878	23823	12629
4. Taxes payable	7.	16770	8469	23855	12047
5. Other liabilities	8.	7137	4455	10152	6337
II Total		44449	23864	63227	33946
Total of paragraph 2		47980	24889	68250	35404
BALANCE		562966	466762	800805	663957

PROFIT OR LOSS ACCOUNT
(according to the method of period costs)

No.	Indication	Annex No	For the year 2004 LVL	For the year 2003 LVL	For the year 2004 EUR	For the year 2003 EUR
1.	Net turnover	9.	491077	385495	698545	548357
2.	Inventory changes of finished goods and unfinished production	10.	23467	3717	33381	5287
3.	Other revenues from economic activity	11.	41283	733	58724	1043
4.	Material costs	12.	(207159)	(181746)	(294679)	(258529)
	a) raw material and auxiliary material costs		(156099)	(121945)	(222047)	(173464)
	b) other costs		(51060)	(59801)	(72632)	(85065)
5.	Staff costs		(187701)	(149233)	(267000)	(212280)
	a) wages and salaries		(150774)	(119937)	(214472)	(170607)
	b) Social insurance payments		(36213)	(28592)	(51512)	(40672)
	b) other social security expense		(714)	(704)	(1016)	(1001)
6.	Value and asset write-off		(34222)	(25160)	(48680)	(35789)
	a) depreciation write-off of fixed assets		(27062)	(23170)	(38495)	(32959)
	b) residual value of excluded tangible fixed assets		(6510)	0	(9260)	0
	b) write-off of current assts	13.	(650)	(1990)	(925)	(2830)
7.	Other expense of economic activity	14.	(34914)	(25302)	(49664)	(35992)
8.	Other interest receivable and similar income	15.	1787	2855	2542	4061
9.	Other taxes	16.	(9548)	(7323)	(13582)	(10417)
10.	Profit/Loss for the reporting year		84070	4036	119587	5741
11.	Corporate income tax of the reporting year		(2103)	0	(2991)	0
12.	Other taxes	17.	(405)	(169)	(576)	(240)
13.	Profit/Loss of the reporting year		81562	3867	116020	5501
14.	Earnings per share (EPS)		0.19	0.01	0.27	0.01

CASH FLOW STATEMENT
(By direct method)

No	Income and expense positions	For the year 2004 LVL	For the year 2003 LVL	For the year 2004 EUR	For the year 2003 EUR
I	Cash flow of basic activity				
1.	Taxable sales revenue	562494	444280	800134	631977
2.	Payments to suppliers, staff and other basic activity expense	(513208)	(469342)	(730026)	(667627)
3.	Other revenue from the basic economic activity of a company	32775	26070	46622	37083
4.	Net cash flow of basic economic activity	82061	1008	116730	1433
II	Cash flow of investment				
1.	Purchase of tangible fixed and intangible fixed assets	(30180)	(29526)	(42930)	(42000)
2	Proceeds from disposal of fixed assets	8615	1812	12255	2577
3.	Non-current financial assets	(205)	(34)	(292)	(48)
4.	Net cash flow of investment	-21770	-27748	-30967	-39471
III	Cash flow of financing				
1.	Buying out leasehold	(7171)	(3728)	(10201)	(5303)
2.	Interest expense	(709)	(358)	(1009)	(509)
3.	Dividends paid	(8449)	0	(12018)	0
4.	Net cash flow of financing	-16329	-4086	-23228	-5812
IV	Result from foreign currency fluctuation	317	104	451	148
V	Net increase/decrease of cash	+44279	-30722	+62986	-43702
VI	Cash balance at the beginning of reporting year	33778	64500	48048	91750
VII	Cash balance at the end of reporting year	78057	33778	111034	48048

STATEMENT OF EQUITY CHANGES

Indication	Share capital LVL	Retained earnings LVL	Total LVL	Share capital EUR	Retained earnings EUR	Total EUR
Balance at 31 December 2002	422440	15566	438006	600910	22142	623052
Earnings of the reporting year 2003	-	3867	3867	-	5501	5501
Balance at 31 December 2003	422440	19433	441873	600910	27643	628553
Dividends calculated for the year 2003	-	(8449)	(8449)	-	(12018)	(12018)
Earnings of the reporting year 2004	-	81562	81562	-	116020	116020
Balance at 31 December 2004	422440	92546	514986	600910	131645	732555

ANNEX

ACCOUNTING POLICY

I General Principles

The annual report has been prepared according to law "On the Annual Accounts of Undertaking", "Latvian Accountancy Standards" and other normative documents.

Profit or loss account has been prepared according to scheme of vertical outline and classification by method of period costs.

Cash flow statement has been prepared according to direct method.

The applied accounting and appreciation methods are the same that had been used in the preceding reporting year.

II Earning recognition and net turnover

Net turnover is the total value of finished production and goods for sale as well as services provided without discounts and VAT during the year.

Other earnings are recognised at the moment of their origin or at the moment when legal rights on such earnings arise.

Other earnings are earnings from exclusion of fixed assets and state subsidies received.

Other interest receivable and similar income is income that is not directly from the economic activity.

III Long-term investments

Non-current investments have been appreciated according to their acquisition cost.

The cadastre value of the land in Riga district, Sigulda village, "Kalnabeites" 8, 8.78111 ha has been assessed at LVL 2140 (EUR 3044).

The write-off of the value of such non-current intangible assets as software is done on a straight-line basis annually for equal amount.

The stated depreciation of fixed intangible assets is calculated on a straight-line basis using the norms of amortisation defined by the stock company.

The norms of amortisation of specific investment categories are following:

Technological equipment and machinery	5; 6 and 7 years
Other fixtures and fittings	2 and 3 years
Economical equipment	3 and 5 years
Computing and similar devices	5 years

Equipment of value below LVL 50.00 (EUR 71) has been included in fixed assets with the amortisation norm of 100%.

IV Redeeming leasehold

Such fixed assets as vehicles that have been purchased on financial lease involving the take-over of the related risks, have been booked according to their non-lease sales price. Lease interest and similar payments have been included in the profit or loss account of the year they have come into existence.

V Receivables

Balances of receivables stated in the balance sheet are at their net values, taken away the value of provisions for doubtful trade receivables.

The provisions are to be established for the debts that are recognised as doubtful and the evaluation of which has been done individually, and analyzing the repayment of debts in the preceding years. At the end of the accounting year the non-collectable receivables are written off from the formerly established provisions, when their recovery is deemed impossible, but still carrying on their account in off-balance accounting till the due date overtime of liabilities or recovery of repayment.

All receivable amounts stated in the balance sheet are to be received in the coming year after the date of balance sheet.

VI Inventory

The valuation of inventories in financial accountancy is being done using continuous inventory method.

The inventories have been evaluated at their purchase or production cost price using weighted average price method.

There are planned losses of breeding bull semen due to impairment factor, genetic ageing or bacterial pollution, due to actual evaluation of individual animal, as well as taking into account the existing stores of semen, increase of qualitative productivity indicators and number of cows in country.

Decreased value of inventories is written-off as period costs of the reporting year.

VII Corporate income tax

The corporate income tax for the reporting year has been calculated complying the legislative requirements of the Republic of Latvia. The applied tax rate for the corporate income tax in the year 2004 is 15%.

VIII Convert of foreign currency into lats

The measure of value and currency used in the annual report is lats - official currency of the Republic of Latvia.

All monetary positions of assets, equities and liabilities have been converted into lats according to the currency exchange rate by Bank of Latvia on the last day of accounting year 31.12.2004.

For the informative purpose the, above stated positions have been converted to EUR according to the exchange rate of Bank of Latvia on 31.12.2004.

	31.12.2004.	31.12.2003.
1 EUR	0.703	0.674
1 USD	0.516	0.541

The profit or loss from the fluctuations on foreign exchange rates is shown in the Profit or loss account of the particular reporting period.

IX Cash and its equivalents

As from the Cash flow statement the cash and its equivalents is cash in the booking-office and the balances in the current accounts.

X Subsidies

Direct payments from budget as a financial assistance in a form of subsidies allocated to cover the costs of keeping high-quality bull breeds and similar expense have been included in the earnings of the period this assistance has been received.

INFORMATION FOR THE BALANCE SHEET ON 31 DECEMBER 2004

No		Aquisi- tion cost LVL	Amorti- zation LVL	Residual value LVL	Aquisi- tion cost EUR	Amorti- zation EUR	Residual value EUR
1.	Intangible assets						
	1.1. Software	620	594	26	882	845	37
	Total	620	594	26	882	845	37
2.	Fixed assets						
	2.1. Land, buildings, perennial plantations	163009	62934	100075	231876	89522	142354
	Including land	29925	0	29925	42568	0	42568
	2.2. Non-current investments in leasehold improvements	17015	4835	12180	24203	6877	17326
	2.3. Equipment and machinery	136189	113895	22294	193726	162013	31713
	2.4. Other fixtures, fittings and equipment	59357	40101	19256	84434	57043	27391
	Including equipment	2927	2927	0	4164	4164	0
	2.5. Other fixtures, fittings and equipment	2350	0	2350	3343	0	3343
	Total	377920	221765	156155	537582	315455	222127

		31.12.04. LVL	31.12.03. LVL	31.12..04. EUR	31.12.03. EUR
3.	Trade receivables				
	3.1. Account value of trade receivables	37602	32409	53488	46101
	3.2. Provisions for doubtful trade receivables	(564)	(1036)	(802)	(1474)
	Book value	37038	31373	52686	44627
4.	Other receivables				
	4.1. VAT for goods and services received	53	157	76	223
	4.2. Payments for amounts paid in advance	0	13	0	18
	4.3. Payments from other debtors	687	167	977	238
	4.4. Payments to budget for real estate tax	12	0	17	0
	Total	752	337	1070	479
5.	Long-term liabilities				
	5.1. Ltd."Unilizings" contact on financial leasing, due date 15.02.2007.	3531	0	5023	0
	5.2. Ltd."Unilizings" contact on financial leasing, due date 15.07.2005.	0	1025	0	1458
	Total	3531	1025	5023	1458

		31.12..04. LVL	31.12.03. LVL	31.12.04. EUR	31.12.03. EUR
	Current liabilities				
	6.1. Ltd."Unilizings" contact on financial leasing, due date15.02.2007.	2769	0	3939	0
	6.2. Ltd."Unilizings" contact on financial leasing, due date15.07.2005.	1025	1638	1458	2330
	Total	3794	1638	5397	2330
7.	Taxes payable				
	7.1. Payments to budget for corporate income tax	2103	0	2991	0
	7.2. Payments to budget for VAT	6616	2501	9411	3558
	7.3. Payments to budget for personal income tax	3166	2358	4504	3354
	7.4. Payments to budget for real estate tax	0	1	0	1
	7.5. Payments to budget for social insurance	4815	3598	6849	5118
	7.6. Payments to budget for natural resource tax	51	11	73	16
	7.7. State duty for the risk of entrepreneurship	19	0	27	0
	Total	16770	8469	23855	12047
8.	Other liabilities				
	8.1. Wages and salaries	6653	4385	9464	6237
	8.2. Liabilities to other entities	0	37	0	53
	8.3. Account payments for amounts paid in advance	0	33	0	47
	8.4. Payments to budget for VAT	484	0	688	0
	Total	7137	4455	10152	6337

As the prepaid expenses there have are stated insurance costs, all kind of subscription and similar kind of expense for the year 2005.

All liabilities are to be settled within the period of year except the ones stated in the interpretation of the balance sheet.

All taxes payable to budget are for the current month.

INFORMATION FOR “PROFIT OR LOSS ACCOUNT”

No.	Indication	For the year 2004 LVL	For the year 2003 LVL	For the year 2004 EUR	For the year 2003 EUR
1.	2.	3.	4.	3.	4.
9.	Net turnover:				
9.1.	Semen of domestic animals	247769	212131	352445	301751
9.2.	Artificial insemination of domestic animals	14651	11428	20841	16256
9.3.	Data processing of control and monitoring process	51940	29060	73883	41337
9.4.	Immunology-genetic laboratory services	9350	11366	13300	16168
9.5.	Milk laboratory analysis services	138128	90763	196484	129108
9.6.	Animals and other production	1658	4155	2359	5910
9.7.	Materials and services herd-book work	18112	20310	25764	28891
9.8.	Courses and training	6694	4684	9522	6663
9.9.	Other	2775	1598	3947	2273
	Total	491077	385495	698545	548357
10.	Inventory changes of finished goods and unfinished production	23467	3717	33381	5287
	including write-off semen	20427	42382	29057	60287
11.	Other revenues from economic activity:				
11.1.	Revenue from state subsidies	32668*	645	46469*	918
11.2.	Revenue from exclusion of fixt assets	8615	0	12255	0
11.3.	Revenue from insurance compensation	0	88	0	125
	Total	41283	733	58724	1043
12.	Material costs,	207159	181746	294679	258529
	including state subsidies	0	(25236)	0	(35898)
13.	Write-off of current assts,	650	1990	925	2830
	Including written off non-collectable receivables	106	432	151	614
	Provisions for doubtful trade receivables	508	1036	723	1474
	written off damaged goods	36	522	51	742
14.	Other expense of economic activity,	34914	25302	49664	35992
	including representative expense	455	481	647	684
15.	Other interest receivable and similar income:				
15.1.	Interest	80	100	114	142
15.2.	Fluctuation of foreign currencies	0	900	0	1280
15.3.	Penalties	570	1261	811	1794

1.	2.	3.	4.	3.	4.
15.4.	Recovered doubtful and non-collectable receivables	1100	378	1565	538
15.5.	Other revenue	37	216	52	307
	Total	1787	2855	2542	4061
16.	Interest payable and similar expense:				
16.1.	Interest paid and similar payments	709	358	1009	509
	including interest for long-term loans	709	358	1009	509
16.2.	Fluctuation of foreign currencies	470	0	669	0
16.3.	Penalties paid	0	4	0	6
16.4.	Expense other than from economic activity	8368	6961	11903	9902
16.5.	Other expense	1	0	1	0
	Total	9548	7323	13582	10417
17.	Other taxes:				
17.1.	Real estate tax	405	169	576	240
	Total	405	169	576	240

* Including state subsidies LVL 31895 (EUR 45370) received in the reporting year which are aimed to stimulate the developments in cattle-breeding industries – keeping the high-quality breed bulls as well as direct payments from The EU slaughtered animals.

STATEMENT OF MOVEMENT OF LONG-TERM INVESTMENTS, EUR

Type of Long-term investment	Acquisition value			Depreciation			Residual value			
	31.12. 2003.	Purchased	Excluded	31.12 2004.	31.12. 2003.	Calculated	Excluded	31.12. 2004.	31.12. 2003.	31.12. 2004.
Intangible assets	882	0	0	882	720	125	0	845	162	37
Land, buildings, perennial plantations	266299	10683	45106	231876	118083	7418	35979	89522	148216	142354
Non-current investments in leasehold improvements	8977	15226	0	24203	2543	4334	0	6877	6434	17326
Equipment and machinery	234218	16219	56711	193726	206780	11944	56711	162013	27438	31713
Other fixtures, fittings and equipment	71798	17405	4769	84434	47004	14673	4634	57043	24794	27391
Advance payment for fixed assets	106	0	106	0	0	0	0	0	106	0
Costs of up-building of fixed assets and unfinished buildings	0	3343	0	3343	0	0	0	0	0	3343
Total Fixed assets	581398	62876	106692	537582	374410	38369	97324	315455	206988	222127
Financial investments	4659	291	0	4950	0	0	0	0	4659	4950
Total Long-term investments	586939	63167	106692	543414	375130	38494	97324	316300	211809	227114

INFORMATION ABOUT STOCK COMPANY

Name and registered office: **Joint stock company "Siguldas artificial insemination and stock breeding station",**
Number of registration No. 40003013295
"Kalnabeites" 8, Siguldas pag., p.n. Sigulda LV-2150, Rīgas raj.
Phone: +371 7972040, fax + 371 7970112

Period of account: 1 January 2004 – 31 December 2004

Type of basic activity: Agriculture

Share capital: On 1 January 2004 LVL 422440 (EUR 600910)
Nominal value of one stock LVL 1.00 (EUR 1.42)
Total number of stocks 422440
of which owned by board and without vote rights 1000
Amount of emission registered at LCD 421440

Stake holder: 210391 (49.8 %) **Ltd. "Siguldas artificial insemination station",** Number of registration No. 40003311954

Auditor: **Certified auditor Rasma Popova,** Identity No. 241142-11575,
Place of residence: Saules iela 26, Ropažu pag., Rīgas raj.,
certificate No. 76.

Board: **Nils Ivars Feodorovs,** Identity No. 011257-12322, Place of residence: "Kalniņi", Krimuldas pagasts, Rīgas rajons, chairman of the board,
Māra Buka, Identity No. 190343-12302, Place of residence: Pulkveža Brieža iela 4, dzīv. 2, Sigulda, Rīgas rajons, member of the board,
Valda Mālniece, Identity No. 010857-12300, Place of residence: Kalna iela 20, Sigulda, Rīgas rajons, member of the board.

Council: **Renia Beķere,** Identity No. 260347-12328, Place of residence: Pīlādžu iela 9, Peltes, Siguldas pagasts, Rīgas rajons, head of the council,
Inita Bedrīte, Identity No. 020459-12310, Place of residence: Pulkveža Brieža iela 4, dzīv. 15, Sigulda, Rīgas rajons, vice head of the council,
Irēna Ritmane, Identity No. 080748-12308, Place of residence: Pulkveža Brieža iela 4, dzīv. 1, Sigulda, Rīgas rajons, member of the council,
Ērika Everte, Identity No. 051047-11281, Place of residence: Ābeļu iela 4, Drabešu pagasts, Cēsu rajons, member of the council since 19.06.2004.,
Danute Bajāre, Identity No. 141154-12302, Place of residence: "Kalnabeites" 3, dzīv. 6, Siguldas pagasts, Rīgas rajons, member of the council since 19.06.2004.,
Sarmīte Arcimoviča, Identity No. 141262-12314, Place of residence: Jura Ozola iela 30, Sigulda, Rīgas rajons, member of the council until 18.06.2004.
Edgars Gražulis, Identity No. 040254-11585, Place of residence: Alūksnes iela 11, Sigulda, Rīgas rajons, member of the council until 18.06.2004.

Types of activities:

- production of agricultural produce – high quality breeding bio-product (semen)
- artificial insemination of domestic animals
- herd-book record keeping
- milk laboratory analysis
- control, monitoring and herd register data processing
- detection of parentage of bovine animals

Average number of employees in 2004 - 47, in 2003 - 42.

Rewards to council and board members for their work

	2004		2003	
	LVL	EUR	LVL	EUR
To members of the board:				
salary	12372	17599	11703	16647
social insurance payments	2886	4105	2725	3876
To members of the council				
salary	3491	4966	3000	4267
social insurance payments	832	1183	723	1028

Taxes and duties paid

Specification of tax	Balance at 31.12.2003.		Calculated for 2004		Paid in 2004		Balance at 31.12.2004.	
	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
Corporate income tax	0	0	2103	2991	0	0	2103	2991
Value added tax	2501	3558	41926	59639	37811	53785	6616	9412
Personal income tax	2358	3354	32776	46623	31968	45474	3166	4503
Social insurance	3598	5118	49739	70752	48522	69021	4815	6849
Real estate tax	1	1	417	593	418	594	0	0
Natural resources tax	11	16	185	263	145	206	51	73
State duty for the risk of entrepreneurship	37	53	204	290	222	316	19	27
Import duty	0	0	691	983	691	983	0	0
Total	8506	12100	128041	182134	119777	170379	16770	23855

Chairman of the board	_____	Nils Ivars Feodorovs
Members of the board	_____	Māra Buka
	_____	Valda Mālniece
Head of the council	_____	
	_____	Renia Beķere
Members of the council	_____	Inita Bedrīte
	_____	Irēna Ritmane
	_____	Ērika Everte
	_____	Danute Bajāre

AUDITOR'S REPORT.

**ON THE ANNUAL REPORT OF
THE JOINT STOCK COMPANY "SIGULDAS CILTS LIETU UN
MAKSLIGAS APSEKLOSANAS STACIJA"
FOR THE PERIOD FROM 01 JANUARY TILL 31 DECEMBER 2004**

To the shareholders of the joint stock company "Siguldas ciltslietu un maksligas apseklosanas stacija".

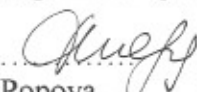
We have audited the annual report of AS Siguldas ciltslietu un maksligas apseklosanas stacija for the period 01.01.-31.12.2004., which are reflected on Pages 1 – 17. The annual report comprise the accompanying balance sheet of AS Siguldas ciltslietu un maksligas apseklosanas stacija as of 31 December 2004, the related statements of income, the cash flow for the year then ended, the report on changes of the equity capital and the notes to the financial statements for the ended December 31, 2004.

The management of AS Siguldas ciltslietu un maksligas apseklosanas stacija is responsible for these financial statements. 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 promulgated by the International Federation of Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements give a true and fair view of the financial position of AS Siguldas ciltslietu un maksligas apseklosanas stacija as on December 31, 2004 and the results of its operations and its cash flow for the year then ended in accordance with the accounting requirements of the Latvian law and International Financial Reporting Standards promulgated by the International Accounting Standards Board.

The management report is consistent with the financial statements.


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Rasma Popova
Managing Director
For SIA Pokora
Licence No. 2.
Riga, Latvia
March 22, 2005.




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Rasma Popova
Certified Auditor
Certificate No. 76.