

**Joint Stock Company "Kurzemes ciltslietu un  
mākslīgās apsēklošanas stacija"**

(Unified registration number 40003017085)

**ANNUAL REPORT**  
**FOR THE PERIOD**  
**01 JANUARY 2014 -**  
**30 SEPTEMBER 2014**

The items of the financial statements were converted to EUR according to the exchange rate defined by the Bank of Latvia  
as at 30 September 2013: LVL 1 = EUR 0.702804

and it is only for informative purposes.

JAUNPILS DISTRICT

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### **General Information**

Name of the Company	Joint stock company "Kurzemes ciltslietu un mākslīgās apsēklošanas stacija"
Legal status of the Company	Public joint stock company
Registration number, place, date	000301708 Riga, 6.August, 1991
Re-registered in the Commercial Register	40003017085 Riga, 7 April, 2004
Address	Jaunpils, Jaunpils parish, Jaunpils region, LV-3145
Names and legal addresses of related and associated companies (indicating the Company's percentual share in the equity of these companies)	Not applicable
Core Business Activities of the Company	NACE 01.50 Mixed farming (crops and animal)
Names and positions of the Board members:	
Chairman of the Board	GATIS KAČIS
Member of the Board	SIGITA LUKAŽE
Member of the Board	DAIGA LIELPINKA
Names and positions of the Council members	duration in accordance with data from the Register of Enterprises
Chairman of the Council	INDRA MARTINSONE to 28.04.2014
Chairman of the Council	JĀNIS LEIMANIS from 29.04.2014
Member of the Council	INĀRA KANSKA
Member of the Council	MAIJA BRUNOVSKA
Member of the Council	HARALDS MOZGIRS
Member of the Council	PĒTERIS AUGUSTOVŠ from 29.04.2014
Reporting year	01 January 2014 – 30 September 2014
Name and address of the auditor	Marija Jansone Sworn auditor (LACA Certificate No.25)
	SIA AUDIT ADVICE Sworn auditors company's licence No.134 Riga, Grecinieku Street 9-3, Latvia, LV-1050

## **Management report**

### **Types of activities**

JSC „Kurzemes 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**

Turnover of the company in first 9 months of 2014 comprises EUR 743310 what is 6.3 % lower than in first 9 months of 2013. Profit of the company after taxations is EUR 6948. Profit per 1 share EPS EUR 0.014. Decrease of profit is related with: additional expenses, related with re-seeding of winter crops; reduction of grain yield and sales prices; decrease of received subsidies.

During the reporting period the company has received LVL EUR 9487 as national and EU subsidies. The subsidies have been received for the maintenance of breeding animals.

In six months 2014, the joint stock company has acquired fixed assets totalling EUR 37982 including 5.72 ha of agricultural land for EUR 24139 to be used for grain cultivation and car for EUR 7885.

From the European Union Structural Funds co-financing by the 2013, the LVL 13147 (EUR 18706) revenue.

The company continue sale of feed additives to herd owners.

Twice a year, a review of the need for existing stocks in accordance with current market trends is carried out and surplus (self-produced) bio products are written off. The bio products with a high genetic quality can be stored and marketed for several years. The production cost of the written-off bio products is taken into account in pricing of the current products for sale.

### **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.

## Future prospects

1. Complete the on going breeding boars barn reconstruction project after the project to sell the old an unnecessary building.
2. With the European Union structural funds will be buying a new agricultural technique of grain industry needs, a semen processing laboratory equipment technologic and modernization of housing bulls internal conversion.
3. Take office building partial interior renovation.
4. Improve product and service sales by pricing improvements and new attraction.
5. Purchase or lease of agricultural land in grain production industry.

Chairman of the Board \_\_\_\_\_

G.Kaķis

Member of the Board \_\_\_\_\_

S.Lukaže

Member of the Board \_\_\_\_\_

D.Lielpinka

October 30, 2014

### ***STATEMENT ABOUT MANAGEMENT LIABILITY***

The Management of Joint Stock Company "Kurzemes ciltslietu un mākslīgās apsēklošanas stacija" is responsible for the preparation of the Company's Financial Report for the period from 01.01.2014. to 30.09.2014.

The Management of Joint Stock Company "Kurzemes ciltslietu un mākslīgās apsēklošanas stacija" in accordance with information available confirms that the Annual Report for the financial period from 01.01.2014. to 30.09.2014. has been prepared in accordance with the requirements of the applicable laws and regulations and gives a true and fair view on the JSC "Kurzemes ciltslietu un mākslīgās apsēklošanas stacija" assets, liabilities, financial position and loss. The Management Report provides true review of JSC "Kurzemes ciltslietu un mākslīgās apsēklošanas stacija" growth and performance results.

Internal risk control procedures are effective, risk management and internal control during the reporting year were performed in accordance with internal control procedures.

The Management of Joint Stock Company "Kurzemes ciltslietu un mākslīgās apsēklošanas stacija" is responsible for the compliance with the requirements of laws and regulations of the Republic of Latvia.

Chairman of the Board \_\_\_\_\_

GATIS KAČIS

Member of the Board \_\_\_\_\_

SIGITA LUKAŽE

Member of the Board \_\_\_\_\_

DAIGA LIELPINKA

October 30, 2014

## BALANCE SHEET

ASSETS	Notes	30.09.2014. EUR	30.09.2013. EUR
<b>Non-current assets</b>			
<b>I Intangible assets</b>			
Concessions, patents, licences, trade marks and similar rights		1 451	1 831
<b>Total intangible assets</b>		<b>1 451</b>	<b>1 831</b>
<b>II Tangible assets</b>			
Land, building and construction		730 753	732 996
Equipment and machinery		62 743	82 377
Other fixed assets and equipment		12 139	14 077
Construction in progress			
<b>Total tangible assets</b>		<b>805 635</b>	<b>829 450</b>
<b>III Biological assets</b>			
Breeding bulls		27 899	37 645
Breeding boars		11 391	10 485
<b>Total biological assets</b>		<b>39 290</b>	<b>48 130</b>
<b>IV Long-term financial investments</b>			
Other loans and long-term receivables		3529	3 529
<b>Total long-term financial investments</b>		<b>3 529</b>	<b>3 529</b>
<b>Total non-current assets</b>		<b>849 905</b>	<b>882 940</b>
<b>Current assets</b>			
<b>I Inventories</b>			
Raw materials and consumables	7	101 780	83 907
Unfinished production	8	27 560	8 623
Finished production and goods for sale	9	552 083	578 511
<b>Total inventories</b>		<b>681 423</b>	<b>671 041</b>
<b>II Receivables</b>			
Trade receivables	10	127 762	128 817
Other receivables	11	8 359	8 573
Prepaid expenses	12	0	0
<b>Total receivables</b>		<b>136 121</b>	<b>137 390</b>
<b>III Cash (total)</b>			
<b>Total current assets</b>		<b>937 400</b>	<b>934 540</b>
<b>Total assets</b>		<b>1 787 305</b>	<b>1 817 480</b>

The accompanying notes from 12 to 23 page form an integral part of these financial statements.

Chairman of the Board \_\_\_\_\_

GATIS KAČIS

Member of the Board \_\_\_\_\_

SIGITA LUKAŽE

Member of the Board \_\_\_\_\_

DAIGA LIELPINKA

October 30, 2014

**BALANCE SHEET (continued)**

PASĪVS	Notes	30.09.2014. EUR	30.09.2013. EUR
<b>I Equity</b>			
Share capital (equity)	14	623 218	623 218
Retained earnings			
a) retained earnings for the previous year		987 505	929 267
b) retained earnings for the reporting year		6 948	65 032
<i>Total retained earnings</i>		994 453	994 299
<b><i>Total equity</i></b>		<b>1 617 671</b>	<b>1 617 517</b>
<b>II Provisions</b>			
Other provisions	15	20 828	22 599
<b><i>Total provisions</i></b>		<b>20 828</b>	<b>22 599</b>
<b>III Liabilities</b>			
<b>I Long-term liabilities</b>			
Deferred income		59 291	77 998
<b><i>Total long-term liabilities</i></b>		<b>59 291</b>	<b>77 998</b>
<b>II Short-term liabilities</b>			
Advances from customers		41 251	58 803
Trade payables			
Taxes and state social insurance payables	16	28 224	26 263
Other payables	17	20 040	14 300
<b><i>Total short-term liabilities</i></b>		<b>89 515</b>	<b>99 366</b>
<b><i>Total liabilities</i></b>		<b>148 806</b>	<b>177 364</b>
<b><i>Total equity and liabilities</i></b>		<b>1 787 305</b>	<b>1 817 480</b>

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DAIGA LIELPINKA

October 30, 2014



## INCOME STATEMENT

	Notes	30.09.2014. EUR	30.09.2013. EUR
Net turnover	19	743 310	790 074
Cost of sales	20	457 889	463 717
<b>Gross profit or loss</b>		<b>285 421</b>	<b>326 357</b>
Sales expenses	21	137 360	139 621
Administrative expenses	22	153 165	152 738
Other operating income	23	18 449	36 487
Other operating expenses	24	1 266	1 220
<b>Profit or loss from operations</b>		<b>12 079</b>	<b>69 265</b>
Other interest receivable and similar income			
Interest payable and similar expenses		0	0
<b>Profit or loss before extraordinary items and taxes</b>		<b>12 079</b>	<b>69 265</b>
Extraordinary income			
<b>Profit or loss before taxes</b>		<b>12 079</b>	<b>69 265</b>
Corporate income tax		0	0
Other taxes	25	5 131	4 233
<b>Profit or loss of the reporting year</b>		<b>6 948</b>	<b>65 032</b>
<b>Earnings (loss) per share (EPS)</b>		<b>0.014</b>	<b>0.135</b>

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Chairman of the Board \_\_\_\_\_

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Member of the Board \_\_\_\_\_

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Member of the Board \_\_\_\_\_

DAIGA LIELPINKA

October 30, 2014

**CASH FLOW STATEMENT (indirect method)**

	Notes	30.09.2014. EUR	30.09.2013. EUR
<b>I Cash flow from operating activities</b>			
1	Profit or loss before extraordinary items and taxes	12 079	69 265
	<i>Adjustments:</i>		
a)	depreciation costs of tangible assets;	4 29 618	0
b)	write-offs of intangible assets;	3 0	0
c)	disposals of tangible assets;	4 0	0
d)	accruals (other than accruals for doubtful debts);	16 0	0
e)	profit or loss from foreign currency exchange rate fluctuations;	28 -697	-979
f)	subsidies, grants, endowments, donations;	27 9 487	0
g)	other interest receivable and similar income;	29 0	0
h)	interest payable and similar expenses.	30 0	0
2	Profit or loss before corrections of changes in the balances of current assets and short-term liabilities	50 487	68 286
	<i>Adjustments:</i>		
a)	(increase)/decrease in long-term financial investments;	-7 229	0
b)	(increase)/decrease in biological assets;	446	0
c)	(increase)/decrease in receivables balances;	-64 573	31 347
d)	(increase)/decrease in inventories balances;	-10 138	25 051
e)	increase/(decrease) in suppliers, contractors and other creditors payables balances.	57 089	4 372
<b>3</b>	<b>Gross cash flow from operating activities</b>	<b>26 082</b>	<b>129 056</b>
4	Interest payable	30	
5	Immovable property tax expenses	32 -5 131	-99 588
<b>6</b>	<b>Cash flow before extraordinary items</b>	<b>-5 131</b>	<b>-99 588</b>
7	Cash flow from extraordinary items	31	
<b>8</b>	<b>Net cash flow from operating activities</b>	<b>20 951</b>	<b>29 468</b>
<b>II. Cash flow from investing activities</b>			
1	Acquisitions of fixed assets	3,4 -37 982	-28 876
2	Proceeds obtained from fixed assets	4 2 162	71
3	Interest receivable and similar income	29	
<b>6</b>	<b>Cash flow from investing activities</b>	<b>-35 820</b>	<b>-28 805</b>
<b>III. Cash flow from financing activities</b>			
1	Loans received		
2	Subsidies, grants, endowments and donations received	27 9 487	0
3	Dividends paid	-52 560	-37 385
<b>7</b>	<b>Net cash flow from financing activities</b>	<b>-43 073</b>	<b>-37 385</b>
<b>IV. Result of foreign currency exchange rate fluctuation</b>			
<b>V.</b>	<b>Net cash flow in the reporting year</b>	<b>-57 942</b>	<b>-36 722</b>
<b>VI.</b>	<b>Cash and its equivalents at the beginning of the reporting year</b>	<b>177 798</b>	<b>162 831</b>
<b>VII.</b>	<b>Cash and its equivalents at the end of the reporting year</b>	<b>13 119 856</b>	<b>126 109</b>

The accompanying notes from 12 to 23 page form an integral part of these financial statements.

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Member of the Board \_\_\_\_\_

SIGITA LUKAŽE

Member of the Board \_\_\_\_\_

DAIGA LIELPINKA

October 30, 2014

### **STATEMENT OF CHANGES IN EQUITY**

	<b>01.01.-30.09. 2014 EUR</b>	<b>01.01.-30.09. 2013 EUR</b>
<b>I. Share capital (equity)</b>		
1. Amount in the balance sheet of the previous year	<b>623218</b>	<b>623218</b>
4. Amount in the balance sheet at the end of the reporting year	<b>623218</b>	<b>623218</b>
<b>V. Reserves</b>		
1. Amount in the balance sheet of the previous year	<b>0</b>	<b>0</b>
4. Amount in the balance sheet at the end of the reporting year	<b>0</b>	<b>0</b>
<b>VI. Retained earnings</b>		
1. Amount in the balance sheet of the previous year	<b>1040065</b>	<b>966652</b>
2. Increase/decrease in retained earnings	6948	65032
3. Dividends paid	52560	37385
4. Amount in the balance sheet at the end of the reporting year	<b>994453</b>	<b>994299</b>
<b>VII. Equity</b>		
1. Amount in the balance sheet of the previous year	<b>1663283</b>	<b>1589870</b>
3. Amount in the balance sheet at the end of the reporting year	<b>1617671</b>	<b>1617517</b>

The accompanying notes from 12 to 23 page form an integral part of these financial statements.

Chairman of the Board \_\_\_\_\_  
 Member of the Board \_\_\_\_\_  
 Member of the Board \_\_\_\_\_

GATIS KAĶIS  
 SIGITA LUKAŽE  
 DAIGA LIELPINKA

October 30, 2014

## NOTES TO THE FINANCIAL STATEMENTS

### ACCOUNTING POLICY

#### I. General Principles

The financial statements of the Company have been prepared in accordance with the Law of the Republic of Latvia on Annual Reports, Regulations No.488 issued by the Cabinet of Ministers of the Republic of Latvia "Law on annual reports enforcement policies", Regulations No.481 issued by the Cabinet of Ministers of the Republic of Latvia "Regulations on the cash flow statement and statement of changes in equity content and preparation procedures".

Income statement has been prepared by turnover cost method.

Cash flow statement has been prepared using indirect method to calculate cash flow from operating activities.

Accounting policy, accounting and evaluation methods used by the Company have not been changed comparing with the previous reporting year, comparative indicators are accordingly reclassified.

In order to improve comparability of the data, comparative indicators of Income Statement and complementing comment's classification in annual report section Notes to the Financial Statements have been changed.

Classification have been changed in the following captions:

Financial information	Initially shown in caption	Reclassified to the caption	Amount, LVL
Balance	Accrued liabilities (leave reserve)	Other provisions (leave reserve)	22599

Financial reporting year is 12 month and it is equal to calendar year.

#### Accounting principles used

Items of the financial statements have been evaluated according to the following accounting principles:

1. Assumption, that a Company is a going concern.
2. The same evaluation methods are used as in the previous reporting year.
3. Evaluation is made with proper precaution, taking into account the following conditions:
  - the report includes profit, that was acquired till the date of the balance sheet;
  - all foreseeable risk amounts and losses that incurred during the reporting year or in the previous years have been taken into account even if they have been found out in the period between the date of balance sheet and the date, when annual report was signed;
  - any value decrease and depreciated amounts have been calculated and taken into account regardless of whether the reporting year is finished with profit or loss.
4. Income and expenses related to the reporting year are taken into account regardless of the date of payment and the date of invoice receipt or issue. Expenses are reconciled with incomes in the reporting year.
5. Elements of the assets and liabilities items are evaluated separately.
6. Opening balances of the reporting year match closing balances of the previous year except the adjusted
7. All the items, that significantly affect evaluation and decision-making of the annual report users, are disclosed, non-significant items have been combined and the details are disclosed in the notes.
8. Business transactions are disclosed in the annual report, taking into account its economic contents and nature rather than legal form.

#### Subsequent events

Favorable or adverse events after the balance sheet date of the reporting year are disclosed in the financial statements by reflecting the adjustments in the amounts of the items or by adding new items. If by the time of the preparation of financial statements there has been adverse event that does not relate to the reporting year, but may significantly impact the financial statement users' assessment of Company's assets, liabilities, financial position, profit or loss and cash flow or decision-making in the future, the Management provides information about such events in the Management Report, disclosing the estimated financial impact of the event or informing that it can not be estimated.

### **Changes in accounting policies, accounting estimates, correction of errors and its disclosure in the financial statements**

Accounting policies are changed only if the regulatory framework has changed or if the existing accounting policy no longer meets the true and fair view requirements of the law due to changed circumstances. If a change in accounting policy is caused by normative framework, the impact is disclosed in the financial statements in accordance with established transitional procedures. If the transitional procedures have not been established, the impact of change in accounting policy is evaluated to all respective items of the financial statements of the previous period. Changes in accounting policies are explained in the notes to the financial statements.

Information about the change in accounting estimates is provided in the notes to the financial statements.

Accounting estimates are changed only when subsequent events will change the circumstances that gave rise to the estimate so far, or if there is new information.

Error occurred and discovered during the reporting year or by the time of preparation of annual report is corrected before the financial statements are authorised for issue, adjusting the corresponding financial statement's items.

### **II. Recognition of revenues and net turnover**

Net turnover is the total value of the goods sold and services provided within the year, subtracting discounts, value added tax and other taxes directly related to sales. Revenue from the product sale is recognized when the buyer has accepted the goods according to the terms and conditions of the goods delivery. Revenue from services provided is recognized at the time services are provided.

Other revenues are recognized as following:

- revenue from rent - at the time it occurs;
- revenues from fines and penalty payments - at the receipt time;
- revenues from insurance compensation - at the receipt time;
- revenues from dividends - when legal right appears;
- revenues from interest - on accrual basis of accounting.

In accordance with principle of accrual basis of accounting expenses are recognized in the period, in which they occur regardless of invoice payment date. Loan costs, which are associated with loans are written-off in the period to which they relate and are shown in the caption "Interest payable and similar expenses".

### **III. Intangible and tangible assets**

Intangible and tangible assets are recorded at purchase value less accumulated depreciation. The purchase value includes expenses, which are directly related to the purchase of the intangible or tangible asset. The purchase value of software licence includes costs of licence purchase and costs, that appeared by the time of implementing it in use. The value of intangible assets is expected to be included in the expenses within five years.

Land is not an object of depreciation. In respect of other assets the depreciation is calculated on a straight-line basis over the estimated useful life of the relevant intangible or tangible asset, in order to write-off the purchase value or the revaluation value of the intangible or tangible asset until its estimated residual value at the end of the useful life using the following rates defined by the Management:

#### **Depreciation % per year**

Buildings and constructions	1.7%-8.5%
Technological equipment	14.3%-25%
Other equipment and facilities, motor vehicles	10%-25%

The initial value of construction in progress is increased by other direct costs incurred in relation to the object until the new object is put into operation. The initial value of the respective asset is not increased by the interest of the loans used for creation of the new asset in the periods when active development work regarding the construction in progress is not carried out. At the end of the reporting year the construction in progress is evaluated for impairment.

Subsequent costs are included in the balance sheet asset value or recognized as a separate asset only when there is a high probability that future economic benefits, related to this item, will flow to the Company and the costs of this item can be determined credibly. Such costs are written off during the remaining useful life of the tangible asset. When capitalizing the established costs of spare parts, the residual value of the replaced parts is written off in the income statement.

Current repair and maintenance costs of the tangible asset are recorded in the income statement in the period they appeared.

Profit or loss on tangible assets disposals are calculated as the difference between the book value and sales income, and the incomes from the respective tangible asset revaluation reserve written-off, these are recorded in the income statement in the period they appeared.

#### **IV. Stocks**

Raw materials the company 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.

#### **V. Trade receivables**

Trade receivables are recorded in the balance sheet in the net value, initial costs less an allowance for any doubtful or uncollectible amounts. The allowance for any doubtful or uncollectible amounts is made in the cases, when the Management supposes, that the collection of these amounts is problematic.

#### **VI. Prepaid expenses**

Expenses, which occurred after reporting date, but are related to subsequent years, shall be shown in the balance-sheet item "Prepaid expenses"

#### **VII. Foreign Currency Revaluation to Lats**

The accounting in the Company is made in Latvian lats. All transactions in the foreign currency are revaluated to lats according to the official exchange rate defined by the Bank of Latvia at the date of transaction.

Assets and liabilities in the foreign currency are revaluated to lats according to the official exchange rate defined by the the European Central Bank at the last day of the reporting period. The profit or loss, that derive from the foreign currency exchange rate fluctuations, are disclosed in the income statement in the

	<b>30.09.2014.</b>	<b>30.09.2013.</b>	
	EUR	EUR	
1 USA dollar	<b>1.2583</b>	<b>1.3489</b>	(USD)

#### **VIII. Cash and Cash Equivalents**

Cash and cash equivalents for the cash flow statement's purpose consist of the current accounts balances and short-term deposits with initial term up to 90 days.

## **IX. Financial Risk Management**

The Company's principal financial instrument is cash. The main purpose of this financial instrument is to ensure financing for the Company's operations. The Company has various other financial instruments such as consumers and customers debts and other debtors, debts to suppliers and contractors and other creditors, which arise directly from its operations. The company may grant short-term loans to the Management and employees.

### **Financial risks**

The main financial risks arising from the Company's financial instruments are liquidity risk and credit risk.

### **Interest rate risk**

The Company's policy is to ensure that the majority of its borrowings are at fixed rate.

### **Credit risk**

The Company is exposed to credit risk through its trade receivables, other receivables, as well as cash. The Company manages its credit risk by continuously assessing the credit history of customers and assigning credit terms on individual basis. In addition, receivable balances are monitored on an ongoing basis to ensure that the Company's exposure to bad debts is minimised.

The partners in cash transactions are home and foreign financial institutions with a respective credit history.

### **Liquidity risk**

The Company manages its liquidity risk by maintaining an appropriate financing.

## **X. Subsidies**

Subsidies received for specific types of capital investment are recognized as deferred income, which is gradually included in the revenues during the useful life of the tangible assets received or purchased with the subsidy. Subsidy to cover expenses is recognized in revenues in the same period when the relevant expenditure appeared, provided all the terms and conditions in respect of receiving the subsidy are fulfilled.

## **XI. Taxes**

The Corporate income tax costs of the reporting year are included in the financial statements basing on the Management's calculations in accordance with the laws and regulations on taxes of the Republic of Latvia.

Deferred tax is calculated using the liability method on all temporary differences between assets and liabilities in the financial statements and its values for the tax calculation purposes. Deferred tax is calculated using the tax rates, that are in force at the date of the balance sheet, which are expected during the periods, when temporary differences smooth out. Temporary differences primarily arise from the use of different rates of depreciation of the fixed assets, as well as tax losses that are transferred to subsequent tax periods. A deferred tax asset is recognized if there is a high probability, that a taxable profit will be acquired, which will be object to the deductible temporary differences.

## **XII. Provisions**

Provisions are recognized if the Company has present legal or practice obligation that was a result of past events, there is a high probability, that for the completion of the obligation economic benefits outflow will be necessary and the amount may be credibly estimated.

Provisions for unused annual leaves and state social insurance payments for unused leaves are calculated as total provisions for all employees taking into account each employee's average daily salary and accumulated leave days at the end of the reporting period.

### **XIII. Related parties**

Related parties are considered to be participants of the Company, members of the Board, members of the Council, their close relatives and the companies, in which mentioned persons have control or significant influence.

### **XIV. Biological assets**

Biological assets of the company are getter animals belonging to the company (getter bulls, boars), that are kept to get agriculture products for sale. Biological assets are recorded accordingly purchase cost.

### **XV. Investment properties**

The Company has no investment property.

### **XVI. Accrued liabilities, contingencies**

Accrued liabilities are certain amounts payable to suppliers and contractors for goods or services received in the reporting year which at the balance sheet date has not yet been billed according to supply, sales or business contracts or other reasons. These obligations amounts are calculated on the basis of the contract price and the supporting documents of actual receipt of goods or services. A contingent liability disclosures are provided in the notes to the financial statements and - where appropriate - in the Management report. The likely financial impact is indicated where possible and if any expected.

Contingent assets which may arise in connection with certain past events (eg, intention to conclude a contract or option), are not included in the balance sheet. If it is expected that the Company receives future economic benefits from contingent assets, the information is provided in the Management report.

### **XVII. Earnings per share**

Earnings per share are determined by dividing the net profit or loss attributable to company shareholders by the weighted average number of shares during the reporting year.



## NOTES TO THE FINANCIAL STATEMENTS

### GENERAL NOTES

	30.09.2014.	30.09.2013.
<b>1. Average number of employees in the reporting year</b>		
Average number of employees	36	36
	EUR	EUR
<b>2. Total personnel expenses</b>	<b>305 234</b>	<b>306 549</b>
- salaries	247 853	248 134
- state social insurance payments	57 381	58 415
- including:		
Remuneration of employees engaged in production (core activity)		
- salaries	174 224	174 579
- state social insurance payments	40 335	40 980
<b>- total</b>	<b>214 559</b>	<b>215 559</b>
Remuneration of administration		
- salaries	73 629	73 555
- state social insurance payments	17 046	17 435
<b>- total</b>	<b>90 675</b>	<b>90 990</b>
including Reward to the Council		
- reward	10 508	10 347
- state social insurance payments	1 538	2 367
<b>- total</b>	<b>12 046</b>	<b>12 714</b>
including Reward to the Board		
- salary for the board member duties	24 614	22 642
- salary for the professional duties	23 834	25 055
- state social insurance payments	11 429	11 490
<b>- total</b>	<b>59 877</b>	<b>59 187</b>

### 3. Statement of intangible assets flow

	Company's development expenses	Concessions, patents, licences, trade marks and similar rights, incl. computer software	Other intangible assets	Goodwill	Advance payments	Total intangible assets
	EUR	EUR	EUR	EUR	EUR	EUR
<b>Purchase value as at 31.12.2012.</b>			4 203			4 203
Purchase (+)						0
Disposal (-)						0
<b>Purchase value as at 30.09.2013.</b>	0	0	4 203	0	0	4 203
<b>Depreciation as at 31.12.2012.</b>			2 372			2 372
Calculated (+)						0
Written off (-)						0
<b>Depreciation as at 30.09.2013.</b>	0	0	2 372	0	0	2 372
<b>Net carrying amount as at 31.12.2012.</b>		0	1 831	0	0	1 831
<b>Net carrying amount as at 30.09.2013.</b>		0	1 831	0	0	1 831

	Company's development expenses	Concessions, patents, licences, trade marks and similar rights, incl.	computer software	Other intangible assets	Goodwill	Advance payments	Total intangible assets
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
<b>Purchase value as at 31.12.2013.</b>			3 283				<b>3 283</b>
Purchase (+)			1 139				<b>1 139</b>
Disposal (-)							<b>0</b>
<b>Purchase value as at 30.09.2014.</b>	0	0	4 422	0	0	0	<b>4 422</b>
<b>Depreciation as at 31.12.2013.</b>			2 596				<b>2 596</b>
Calculated (+)			375				<b>375</b>
Written off (-)							<b>0</b>
<b>Depreciation as at 30.09.2014.</b>	0		2 971	0	0		<b>2 971</b>
<b>Net carrying amount as at 31.12.2013.</b>	<b>0</b>	<b>0</b>	<b>687</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>687</b>
<b>Net carrying amount as at 30.09.2014.</b>	<b>0</b>	<b>0</b>	<b>1 451</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1 451</b>

#### 4. Statement of tangible assets and investment property flow

	Land, building and construction (EUR)	Long-term investm. in rented fixed assets (EUR)	Equipment and machinery (EUR)	Other fixed assets and equipment (EUR)	Construction in progress (EUR)	Advance payments for fixed assets (EUR)	Total (EUR)
<b>Purchase or revaluated value as at 31.12.2012.</b>	757 225	0	533 339	41 431		0	<b>1 331 995</b>
Purchased in the reporting year (+)	15 470		10 061	2 622			<b>28 153</b>
Reclassified (+/-)							<b>0</b>
Disposed in the reporting year (+/-)							<b>0</b>
<b>Purchase or revaluated value as at 30.09.2013.</b>	772 695	0	543 400	44 053	0	0	<b>1 360 148</b>
<b>Accumulated depreciation as at 31.12.2012.</b>	39 699	0	461 023	29 976	0	0	<b>530 698</b>
Calculated in the reporting year (+)							<b>0</b>
Reclassified (+/-)							<b>0</b>
Disposed in the reporting year (- )							<b>0</b>
<b>Accumulated depreciation as at 30.09.2013.</b>	39 699	0	461 023	29 976	0	0	<b>530 698</b>
<b>Net carrying amount as at 31.12.2012.</b>	<b>717 526</b>	<b>0</b>	<b>72 316</b>	<b>11 455</b>	<b>0</b>	<b>0</b>	<b>801 297</b>
<b>Net carrying amount as at 30.09.2013.</b>	<b>732 996</b>	<b>0</b>	<b>82 377</b>	<b>14 077</b>	<b>0</b>	<b>0</b>	<b>829 450</b>

#### 4. Statement of tangible assets and investment property flow (continued)

	Land, building and construction (EUR)	Long-term investm. in rented fixed assets (EUR)	Equipment and machinery (EUR)	Other fixed assets and equipment (EUR)	Construction in progress (EUR)	Advance payments for fixed assets (EUR)	Total (EUR)
<b>Purchase or revaluated value as at 31.12.2013.</b>	757 747	0	538 079	41 310		0	<b>1 337 136</b>
Purchased in the reporting year (+)	24 139		11 561	1 143			<b>36 843</b>
Disposed in the reporting year (+/-)			21 582	1 050			<b>22 632</b>
<b>Purchase or revaluated value as at 30.09.2014.</b>	781 886	0	528 058	41 403	0	0	<b>1 351 347</b>
<b>Accumulated depreciation as at 31.12.2013.</b>	44 060	0	467 115	27 555	0	0	<b>538 730</b>
Calculated in the reporting year (+)	7 073		19 411	2 759			<b>29 243</b>
Disposed in the reporting year (- )			21 211	1 050			<b>22 261</b>
<b>Accumulated depreciation as at 30.09.2014.</b>	51 133	0	465 315	29 264	0	0	<b>545 712</b>
<b>Net carrying amount as at 31.12.2013.</b>	<b>713 687</b>	<b>0</b>	<b>70 964</b>	<b>13 755</b>	<b>0</b>	<b>0</b>	<b>798 406</b>
<b>Net carrying amount as at 30.09.2014.</b>	<b>730 753</b>	<b>0</b>	<b>62 743</b>	<b>12 139</b>	<b>0</b>	<b>0</b>	<b>805 635</b>

#### 4. Statement of tangible assets and investment property flow (continued)

Property	Cadastré No.	Cadastral value LVL/EUR	Book value LVL/EUR
<i>Land</i>	(EUR)	284 203	400 233
<i>Building and construction</i>	(EUR)	104 100	330 520

#### Result of written-off, eliminated and disposed tangible assets:

	30.09.2014. EUR	30.09.2013 EUR
Purchase value	37 982	28 153
Accumulated depreciation (-)	29 618	0
Net carrying amount	8 364	28 153
Spare parts, materials and proceeds obtained from disposal of fixed assets (+)	2 162	71
Profit (+) or loss (-) from disposal of fixed assets	-6 202	-28 082

#### 5. Biological assets

	30.09.2014. EUR	30.09.2013 EUR
<b>Residual value at the beginning of the year</b>	<b>28 545</b>	<b>37 582</b>
Purchased breeding bulls	19 584	11 200
Sold to breeding animals (-)	20 230	11 137
Advance payments for breeding animals	0	0
<b>Residual value at the end of the year</b>	<b>27 899</b>	<b>37 645</b>

	<b>30.09.2014.</b>	<b>30.09.2013</b>
	<b>EUR</b>	<b>EUR</b>
<b>Residual value at the beginning of the year</b>	<b>11 191</b>	<b>9 630</b>
Purchased breeding boars	995	2 866
Sold to breeding animals (-)	795	2 011
Advance payments for breeding animals	0	0
<b>Residual value at the end of the year</b>	<b>11 391</b>	<b>10 485</b>

#### 6. Long-term financial investments

Item	<b>30.09.2014.</b>		<b>30.09.2013.</b>	
	Amount	LVL	Amount	LVL
Share SIA Latvijas šķ.dzīv.n.audz.savienībā	2 000	2 846	2 000	2 846
Share SIA Piensaimnieku laboratorija	16	683	16	683
<b>Total</b>	<b>2 016</b>	<b>3 529</b>	<b>2 016</b>	<b>3 529</b>

#### 7. Raw materials and consumables

	<b>30.09.2014.</b>	<b>30.09.2013</b>
	<b>EUR</b>	<b>EUR</b>
Materials	18 974	17 505
Feed additives	971	546
Mineral fertilizers and chemicals	6 771	2 783
Grain and seedcorn	69 967	55 701
Fuel and lubricants	897	550
Spare parts	191	1 234
Animal feed	4 009	5 588
<b>Total</b>	<b>101 780</b>	<b>83 907</b>

#### 8. Unfinished production

	<b>30.09.2014.</b>	<b>30.09.2013</b>
	<b>EUR</b>	<b>EUR</b>
Winter crops	27 560	8 622
<b>Total</b>	<b>27 560</b>	<b>8 622</b>

#### 9. Finished production and goods for sale

	<b>30.09.2014.</b>	<b>30.09.2013</b>
	<b>EUR</b>	<b>EUR</b>
Frozen bulls sperm	552 038	578 436
Boar sperm	27	51
Frozen stallions sperm	18	24
<b>Total</b>	<b>552 083</b>	<b>578 511</b>

#### 10. Trade receivables

	<b>30.09.2014.</b>	<b>30.09.2013</b>
	<b>EUR</b>	<b>EUR</b>
Carrying amount of trade receivables	135 827	135 547
Allowance for doubtful receivables	8 065	6 730
<b>Net trade receivables</b>	<b>127 762</b>	<b>128 817</b>

#### 11. Other receivables

	<b>30.09.2014.</b>	<b>30.09.2013</b>
	<b>EUR</b>	<b>EUR</b>
Incom tax	7 965	8 191
Advance person's debt settlement	394	382
<b>Total</b>	<b>8 359</b>	<b>8 573</b>

#### 13. Cash

	<b>30.09.2014.</b>	<b>30.09.2013</b>
	<b>EUR</b>	<b>EUR</b>
Cash on hand	11 170	5 726
Cash in bank	108 686	120 383
<b>Total</b>	<b>119 856</b>	<b>126 109</b>

#### 14. Information on the Company's own shares

The issued and fully paid Company's equity consists of 438 000 shares with the par value LVL 1.00 per share.  
 On the 30th of June 2014 438 000 bearer's shares were publicly traded.

Capital structure  Class of shares	30.09.2014.			30.09.2013.		
	% of equity	Number of shares		% of equity	Number of shares	
			EUR			EUR
Bearer's shares with voting rights - publicly traded	100%	438 000	623218	100%	438 000	623 218
Bearer's shares without voting rights	0%	0	0	0%	0	0
	<b>100%</b>	<b>438 000</b>	<b>623218</b>	<b>100%</b>	<b>438 000</b>	<b>623 218</b>

#### List of shareholders and their position held in the Company on the 16th of April 2014

Shareholders	Position held in the Company	% from share capital
SIA Latvijas šķ.dzīvn.audz.sav.	shareholder	37.25%
SIA JL INDEX	shareholder	11.79%
Pēteris Augustovs	shareholder	11.42%
Other shareholder	x	39.54%
<b>Kopā:</b>	<b>x</b>	<b>100.00%</b>

#### Information about limitations concerning share expropriation rights

Restrictions for expropriation of shares or specific consent reception for shares disposal have not been set.

#### Shareholders' rights and agreements

Regulated by laws and regulations of the Republic of Latvia, the Company's Statutes does not define any special limitations or regulations related to the voting right.

Company does not possess any information about agreements between shareholders.

#### Powers of the Board Members and special agreements

According to the Statutes of the JSC "Kurzemes ciltslietu un mākslīgās apsēklošanas stacija" each Board member has the right to represent the Company alone.

There is no agreement between the Company and the Board members concerning the compensation of resignation.

#### Regulations of Board members elections and Statute amendments

Regulated by laws and regulations of the Republic of Latvia, the Company's Statutes does not define any special limitations or regulations related to the elections of Board members and Statute amendments.

#### 15. Provisions

	30.09.2014. EUR	30.09.2013 EUR
<b>Provisions for leaves in the beginning of the year</b>	20 828	22 599
Increase/(decrease)	0	0
<b>Provisions for leaves in the end of the year</b>	<b>20 828</b>	<b>22 599</b>

#### 16. Taxes and state social insurance payables

	30.09.2014. EUR	30.09.2013 EUR
State social insurance payments	9 814	9 828
Personal income tax	5 379	5 380
Unemployment risk duty	14	14
Value added tax	13 015	11 034
Natural resources tax	2	7
<b>Total</b>	<b>28 224</b>	<b>26 263</b>

#### 17. Other payables

	30.09.2014. EUR	30.09.2013 EUR
Wages and salaries	20 028	14 287
Advance person's debt settlement	12	13
<b>Total</b>	<b>20 040</b>	<b>14 300</b>

	<b>30.09.2014.</b>	<b>30.09.2013</b>
	<b>EUR</b>	<b>EUR</b>
<b>18. Net turnover</b>		
Revenue from animal semen	426 033	452 613
Revenue from artificial insemination services	62 315	66 518
Revenue from livestock and other production	9 782	5 592
Revenue from grain sale	92 379	126 872
Revenue from linear evaluation of cows	53 022	53 275
Revenue from milk sample collection	43 682	42 706
Revenue from grain kiln service	15 071	287
Other	41 026	42 211
<b>Total</b>	<b>743 310</b>	<b>790 074</b>
<b>18a. Net turnover by geographical segments</b>		
Latvia	743 310	790 074
<b>Total</b>	<b>743 310</b>	<b>790 074</b>
<b>19. Cost of sales</b>		
Forage	7 439	7 245
Medication	390	443
Wages and salaries	98 492	92 667
State social insurance payments, unemployment risk duty	22 829	21 815
Depreciation	26 206	0
Electricity costs	6 745	6 493
Insurance costs	3 130	3 114
Materials and spare parts	56 355	88 144
Utilization and other expenses	249	331
Dry waste	189	175
Natural resources tax	157	205
Fuel costs	53 897	54 508
Gas costs	15 324	12 783
Current repair services	12 761	11 494
Miscellaneous services (transport, etc.)	23 372	37 254
Fertilizers, seeds and chemicals.	82 129	79 544
Other	48 225	47 502
<b>Total</b>	<b>457 889</b>	<b>463 717</b>
<b>20. Sales expenses</b>		
Wages and salaries	75 732	81 912
State social insurance payments, unemployment risk duty	17 506	19 165
Transport costs	33 236	31 488
Write-off of ageing and slow-turnover breeding bull' bio product	0	0
Advertising costs	2 953	3 046
Other	7 933	4 010
<b>Total</b>	<b>137 360</b>	<b>139 621</b>
<b>21. Administrative expenses</b>		
Communication expenses	839	849
Office maintenance expenses	4 255	3 330
Annual report expenses	6 694	6 618
Bank services	777	803
Administration salaries	73 629	73 555
State social insurance payments, unemployment risk duty	17 046	17 435
Depreciation	3 412	0
Transport costs	15 778	13 790
Business trip expenses	3 241	5 700
Miscellaneous services	26 321	28 951
Legal services	1 173	1 707

	<b>153 165</b>	<b>152 738</b>
	<b>30.09.2014.</b>	<b>30.09.2013</b>
	<b>EUR</b>	<b>EUR</b>
<b>Total</b>		
<b>22. Other operating income</b>		
Revenue from the sale of fixed asset	1 791	71
Excise tax for diesel fuel used in agriculture	6 171	6 400
Subsidies from Agriculture Ministry	9 487	29 152
Income from foreign currency exchange rate fluctuations	0	0
Dividends of SIA Latvijas šķirnes dzīv.audz.sav.	0	85
Others income	1 000	779
<b>Total</b>	<b>18 449</b>	<b>36 487</b>
<b>23. Other operating expenses</b>		
Losses from foreign currency exchange rate fluctuations	697	928
Others expenses	569	292
<b>Total</b>	<b>1 266</b>	<b>1 220</b>
<b>24. Other taxes</b>		
Immovable property tax in the reporting year	5 131	4 233
<b>Total</b>	<b>5 131</b>	<b>4 233</b>

**OTHER NOTES TO FINANCIAL STATEMENTS**

**25. Guarantees and off-balance-sheet liabilities**

Guarantees are not issued

There is non Off-balance-sheet liabilities

**26. Received financial assistance and other forms of financial support**

During the reporting year the Company has received Government subsidies granted by the Ministry of Agriculture boar breeding industry EUR 3897 bull breeding industry EUR 3106 single area payments EUR 2483.

For the funds received in previous years all fund providers' requirements have been met.

The Company did not have a refundable amount related to the non-fulfilment of fund providers' requirements.

During the reporting year the Company has not received any State or local government guarantees or investment in share capital.

During the reporting year the Company has not received any gifts or donations.

**27. Transactions with related parties**

Not transaction.

**28. Lease Contracts**

During the reporting year the Company has entered into three lease agreements for land lease in Kuldīga region for three years.

**29. Liabilities to former employees**

The Company has not obligations to former employees.

The financial statements have been signed from page 1 to page 23.

Chairman of the Board \_\_\_\_\_

Member of the Board \_\_\_\_\_

Member of the Board \_\_\_\_\_

October 30, 2014

GATIS KAČIS

SIGITA LUKAŽE

DAIGA LIELPINKA