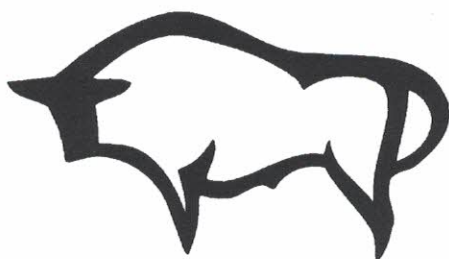


**STOCK COMPANY**  
**„Kurzemes Ciltslietu un mākslīgās**  
**apsēklošanas stacija”**

REGISTRATION NUMBER 4003017085



**ANNUAL REPORT FOR THE YEAR ENDED**  
**31 DECEMBER 2016**

GATIS KAČIS  
Chairman of the Board

SIGITA LUKAŽE  
Member of the Board

DAIGA LIELPINKA  
Member of the Board,  
Chief Accountant

The annual report was approved by the general shareholders' meeting on \_\_ April 2017

**Jaunpils 2017**



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## BALANCE SHEET

ASSETS	Note	31.12.2016 EUR	31.12.2015 EUR
<b>I. Non-current assets</b>			
<b>I. Intangible assets</b>			
1 Concessions, patents, licences, trademarks and similar rights		5 36	8 72
<b>Total intangible assets</b>		<b>4</b>	<b>5 36</b>
<b>II. Property, plant and equipment</b>			
1 Real estate			
a) land, buildings and engineering constructions		87 79 96	77 36 08
2 Animals and plants			
a) draft animals or productive animals and perennial plantings		4 81 61	4 35 09
3 Technological equipment and machinery		10 53 58	10 99 11
4 Other property, plant and equipment		74 14	82 73
5 Construction in progress		87 40	42 00
<b>Total property, plant and equipment</b>		<b>5</b>	<b>1 04 76 69</b>
<b>III. Long-term financial investments</b>			
1 Other securities and investments		35 29	35 29
<b>Total long-term financial investments</b>		<b>35 29</b>	<b>35 29</b>
<b>Total non-current assets</b>		<b>1 05 17 34</b>	<b>94 39 02</b>
<b>II. Current assets</b>			
<b>I. Inventories</b>			
1. Raw materials and consumables	6	8 21 65	9 22 59
2. Work in progress	7	3 95 91	3 81 21
3. Finished goods	8	30 61 81	32 30 29
<b>Total inventories</b>		<b>42 79 37</b>	<b>45 34 09</b>
<b>II. Receivables</b>			
1 Trade receivables	9	7 21 29	8 03 07
2 Other receivables	10	1 90	4 79
3 Prepaid expense	11	58 14	89 66
<b>Total receivables</b>		<b>7 81 33</b>	<b>8 97 52</b>
<b>III. Cash</b>			
	12	21 46 15	25 54 26
<b>Total current assets</b>		<b>72 06 85</b>	<b>79 85 87</b>
<b>Total assets</b>		<b>1 77 24 19</b>	<b>1 74 24 89</b>

The accompanying notes on pages 8. to 27 are an integral part of these financial statements.

Chairman of the Board

Member of the Board

Member of the Board, Chief Accountant

GATIS KAČIS

SIGITA LUKAŽE

DAIGA LIELPINKA





## BALANCE SHEET

EQUITY AND LIABILITIES	Note	31.12.2016 EUR	31.12.2015 EUR
<b>I. Equity</b>			
1 Share capital	13	61 32 00	61 32 00
2 Reserves			
a) Other reserves		12 58	12 58
3 Retained earnings for the previous year	14	96 26 79	88 94 16
4 Retained earnings for the year	14	11 18 28	11 26 83
<b>Total equity</b>		<b>1 68 89 65</b>	<b>1 61 65 57</b>
<b>II. Provisions</b>			
1 Other provisions	15	0	2 19 77
<b>Total provisions</b>		<b>0</b>	<b>2 19 77</b>
<b>III. Liabilities</b>			
<b>I. Non-current liabilities</b>			
1 Deferred income	16	0	31 70
<b>Total non-current liabilities</b>		<b>0</b>	<b>31 70</b>
<b>II. Current liabilities</b>			
1 Trade payables	17	80 67	1 18 81
2 Taxes payable	18	2 61 10	4 20 63
3 Other payables	19	1 63 81	1 76 03
4 Accrued liabilities	20	2 97 26	1 05 31
5 Deferred income	21	31 70	1 87 07
<b>Total current liabilities</b>		<b>8 34 54</b>	<b>10 07 85</b>
<b>Total liabilities</b>		<b>8 34 54</b>	<b>10 39 55</b>
<b>Total equity and liabilities</b>		<b>1 77 24 19</b>	<b>1 74 24 89</b>

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DAIGA LIELPINKA





## INCOME STATEMENT

	Note	2016 EUR	2015 EUR
1 Revenue	22	<b>91 81 57</b>	<b>94 39 48</b>
a) from agricultural activity		81 46 34	83 92 50
b) from other type of economic activities		10 35 23	10 46 98
2 Cost of sales	23	-47 89 61	-50 01 05
<b>3 Gross profit</b>		<b>43 91 96</b>	<b>44 38 43</b>
4 Distribution costs	24	-19 44 35	-18 06 99
5 Administrative expenses	25	-20 76 82	-20 60 93
6 Other operating income	26	7 57 51	6 10 35
7 Other operating expense	27	-9 06	0
8 Interest payable and similar expense:			
a) to other persons	28	-96	-7 46
<b>9 Profit or loss before tax</b>		<b>11 18 28</b>	<b>11 73 40</b>
10 Corporate income tax	29	0	-46 57
<b>11 Profit or loss after tax</b>		<b>11 18 28</b>	<b>11 26 83</b>
<b>12 Profit or loss for the year</b>		<b>11 18 28</b>	<b>11 26 83</b>
<b>13 Profit (loss) per share (EPS)</b>		<b>0.128</b>	<b>0.129</b>

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## STATEMENT OF CASH FLOWS

(indirect method)

	2016 EUR	2015 EUR
<b>I. Cash flows from operating activities</b>		
1. Profit or loss before tax	11 18 28	12 23 61
Adjustments for:		
a) Depreciation of property, plant and equipment	4 42 31	3 84 74
b) Write-down of intangible assets	3 36	4 53
c) Provisions (other than provisions for doubtful debts)	-2 19 77	39 84
d) Profit or loss from foreign currency exchange rate fluctuations	-7 06	93
e) Losses from the liquidation of property, plant and equipment	2 03 02	-1 26 04
f) Subsidies, grants, gifts and donations received	-7 42 38	-5 49 94
i) Interest payable and similar expenses	96	7 46
<b>2. Profit or loss before adjustments in the balances of current assets and short-term liabilities</b>	<b>7 98 72</b>	<b>9 85 13</b>
Adjustments for:		
a) Increase/ decrease in trade receivables	1 16 19	-9 78
b) Increase/ decrease in inventories	2 54 72	-1 95 45
c) Increase/ decrease in trade and other payables	-1 58 44	-2 97 25
<b>3. Cash generated from operations</b>	<b>10 11 19</b>	<b>4 82 65</b>
4. Interest paid	-96	-7 46
5. Expenses for corporate income tax payments	-46 57	-50 21
<b>6. Net cash generated from operating activities</b>	<b>9 63 66</b>	<b>4 24 98</b>
<b>II. Cash flows from investing activities</b>		
3. Purchases of property, plant and equipment and intangible assets	-17 40 05	-6 32 92
4. Proceeds from disposal of property, plant and equipment and intangible assets	13 04	46 53
<b>9. Net cash used in investing activities</b>	<b>-17 27 01</b>	<b>-5 86 39</b>
<b>III. Cash flows from financing activities</b>		
3. Subsidies, grants, gifts and donations received	74238	54994
6. Dividends paid	-3 94 20	-87 60
<b>7. Net cash used in financing activities</b>	<b>3 48 18</b>	<b>4 62 34</b>
<b>IV. Foreign currency exchange rate fluctuations</b>	<b>7 06</b>	<b>-93</b>
<b>V. Net cash flows in the reporting year</b>	<b>-4 08 11</b>	<b>3 00 00</b>
<b>VI. Cash and cash equivalents at the beginning of the year</b>	<b>25 54 26</b>	<b>22 54 26</b>
<b>VII. Cash and cash equivalents at the end of the reporting year</b>	<b>21 46 15</b>	<b>25 54 26</b>

The accompanying notes on pages 8. to 27 are an integral part of these financial statements.

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Member of the Board  
Member of the Board, Chief Accountant

GATIS KAČIS  
SIGITA LUKAŽE  
DAIGA LIELPINKA



## STATEMENT OF CHANGES IN EQUITY

	2016	2015
	EUR	EUR
<b>I. Share capital</b>		
1 Amount indicated in the balance sheet of the previous year	61 32 00	62 32 18
2 Correction of the amount indicated in the balance sheet of the previous year	0	-87 60
3 Increase/decrease in share capital	0	-12 58
4 Amount indicated at the end of the period in the balance sheet of the financial year	61 32 00	61 32 00
<b>V. Reserves</b>		
1 Amount indicated in the balance sheet of the previous year	12 58	0
2 Reserves increased through the share capital	0	12 58
3 Amount indicated at the end of the period in the balance sheet of the financial year	1258	1258
<b>VI. Retained earnings</b>		
1 Amount indicated in the balance sheet of the previous year	1 00 20 99	88 94 16
2 Correction of the amount indicated in the balance sheet of the previous year	-3 94 20	0
3 Increase/decrease in retained earnings	111828	112683
4 Amount indicated at the end of the period in the balance sheet of the financial year	1074507	1002099
<b>VII. Equity</b>		
1 Amount indicated in the balance sheet of the previous year	1 61 65 57	1 51 26 34
2 Amount indicated at the end of the period in the balance sheet of the financial year	1688965	1616557

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Member of the Board  
Member of the Board, Chief Accountant

GATIS KAĶIS  
SIGITA LUKAŽE  
DAIGA LIELPINKA





## NOTES TO THE FINANCIAL STATEMENTS

### General information

Name of the company	Stock Company "Kurzemes ciltslietu un mākslīgās apsēklošanas stacija"	
Legal form of the company	Stock Company	
Registration number, place and date of registration	40003017085, Riga, 6 August 1991	
Re-registration in Commercial Register	40003017085, Riga, 7 April 2004	
Legal address	<i>Jaunpils, Jaunpils district, Jaunpils region, LV-3145</i>	
Board	<i>GATIS KAČIS</i>	Chairman of the Board
	<i>SIGITA LUKAŽE</i>	Member of the Board
	<i>DAIGA LIELPINKA</i>	Member of the Board
Council until 15.02.2017	<i>JĀNIS LEIMANIS</i>	Chairman of the Council
	<i>PĒTERIS AUGUSTOVŠ</i>	Member of the Council
	<i>MAIJA BRUNOVSKA</i>	Member of the Council
	<i>INĀRA KANSKA</i>	Member of the Council
	<i>HARALDS MOZGIRS</i>	Member of the Council
Council from 15.02.2017	<i>AGNESE DŪZE</i>	Chairman of the Council
	<i>MAIJA BRUNOVSKA</i>	Member of the Council
	<i>PAULIS PAŠKAUSKS</i>	Member of the Council
	<i>ANDRIS PAŠKAUSKS</i>	Member of the Council
	<i>INĀRA KANSKA</i>	Member of the Council
Major shareholders as at 31.12.2016	<i>LLC "Latvijas šķirnes dzīv. audz. savienība"</i>	42.1%
	<i>LLC "JL Index"</i>	11.5%
	<i>Pēteris Augustovs</i>	11.7%
Major shareholders as at 15.02.2017	<i>LLC "Latvijas šķirnes dzīv. audz. savienība"</i>	42.1%
	<i>SC "Agrofirma Tērvete"</i>	23.2%
LEI code	529900KYEWO4FP2XMF82	



Economic activity                      01.50 Mixed farming

Financial year                              01.01.2016                              31.12.2016

Auditor	MARIJA JANSONE Certified Auditor of the Republic of Latvia Certificate No. 25	LLC "NEXIA AUDIT ADVICE" 9-3 Grecinieku Street, Riga Latvia, LV – 1050 Reg.No. 40003858822 Licence No.134
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## Notes to the Financial Statements *(continued)*

### **Basis of preparation**

The financial statements of the Company have been prepared in accordance with the Law on Accounting, Law on Annual Reports and Consolidated Annual Reports, Regulations No.775 of 22.12.2015. issued by the Cabinet of Ministers of the Republic of Latvia "Enforcement policies of the Law on Annual Reports and Consolidated Annual Reports".

The financial statements are prepared on a historical cost basis. The monetary unit used in the financial statements is Euro (EUR), the monetary unit of the Republic of Latvia. Company's accounting and evaluation methods haven't changed compared with previous reporting period.

The income statement is classified by function of expense. Due to changes in laws and regulations - Law On Annual Reports lapsed on 1 January 2016 and Law on Annual Reports and Consolidated Annual Reports entered into force - classification name of the income statement has changed, replacing the name "by turnover cost method" with "classified according to the function of expenses". Contents and nature of the items does not change due to the change in the name.

### **Accounting principles applied**

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

- a) assumption, that a Company is a going concern;
- b) the same evaluation methods are used as in the previous reporting year;
- c) evaluation is made with proper precaution:
  - the report includes profit that was acquired till the date of the statement of financial position;
  - 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 statement of financial position and the date, when annual report was signed;
  - all impairments and depreciation amounts have been calculated and taken into account regardless of whether the reporting year is finished with profit or loss;
- d) 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;
- e) assets and liabilities items are evaluated separately;
- f) opening balances of the reporting year match closing balances of the previous year;
- g) all the items, that significantly affect assessment and decision-making of the users of the annual report, are disclosed, non-significant items have been combined and the details are disclosed in the notes;
- h) business transactions are disclosed in the annual report, taking into account its economic contents and nature rather than legal form;
- i) balance sheet and income statement items are stated at the cost of acquisition or production. The cost of acquisition is the purchase price of goods or services (less any discounts granted) plus any extra costs related to the purchase. The cost of production is the cost of acquiring raw materials and consumables and other expenses that are directly attributable to the construction of the asset. The cost of production may also include portions of expenses that are indirectly related to the construction of the asset, provided these costs are attributable to the same period.

### **Reporting period**

The financial statements cover the period from **01.01.2016** till **31.12.2016**





### Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expense and disclosure of contingencies. Future events occur may cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements when it's determinable.

### Change of the accounting policy

In connection with the Law on Annual Reports and Consolidated Annual Reports entry into force for annual reports that start on 1 January 2016 and later in 2016, the management of the Company has changed its accounting policy with respect to:

- presentation of biological assets in the Company's balance sheet. In annual financial statements for 2016 biological assets are presented in property, plant and equipment under item "Animals and plants". Comparative figures have been reclassified accordingly.
- classification of the reserve for unused leaves in the balance sheet. Estimated liabilities against employees for the accrued annual leave days in the reporting year are presented in the balance sheet item "Accrued liabilities" rather than under "Other provisions" as before.
- classification of the real estate tax in the income statement. In annual financial statements for 2016 real estate tax expenses are presented according to its nature in the item "Production cost price of produce sold" rather than under the item "Other taxes" as before.

Effect of change in accounting policy on figures of the previous year:

Item of the financial statements	Comparative figures of 2015 in the financial statements of 2016 EUR	Reclassification in 2016 EUR	Figures in financial statements of 2015 before reclassification EUR
<b><i>Income statement</i></b>			
Production cost price of produce sold, purchase costs for goods sold or services provided	505126	5021	500105
Other taxes (real estate tax)		(5021)	5021
Other provisions	21977	(21977)	21977
Accrued liabilities	10531	21977	10531
Property, plant and equipment – Animals and plants		43509	
a) draft animals or productive animals and perennial plantings	43509	(43509)	43509
b) biological assets (if apply IAS)			

### Reclassification of items

During the reporting period, in order to improve the quality of the income statement and balance sheet, including compliance with Law on Annual Reports and Consolidated Annual Reports and Regulations issued by the Cabinet of Ministers of the Republic of Latvia on the basis of law, changes in classification of items were made (including detalisation of items) compared with the previous reporting period. In the event that the comparative amounts are practically impossible to reclassify, the reclassification of items is not carried out. Reclassification (including detalisation of items) has no impact on the financial result. Comparative figures for the period 01.01.2015-31.12.2015 in the financial statements for 2016 are classified according to the accounting principles of 2016 and are comparable.



### **Contingencies**

Contingent liabilities are not recognised in these financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in these financial statements but disclosed when an inflow of economic benefits is probable.

### **Currency and foreign currency revaluation**

The functional currency of the Company and monetary unit used in the financial statements is euro (EUR), the monetary unit of the Republic of Latvia. All transactions in the foreign currency are revaluated to euro according to the Euro foreign exchange reference rates set by the European Central Bank, which is in force at the beginning of the day of business transaction. Monetary assets and liabilities denominated in foreign currencies are translated into euro according to the foreign exchange reference rate in force on the last day of the reporting year.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions or on reporting of assets and liabilities using the exchange rates that differ from the initial transaction accounting rates are recognized in the income statement in net value.

	31.12.2016	31.12.2015
USD	1,05410	1,08700

### **Non-current and current items**

Amounts presented in long-term items are the amounts with the maturity term for receipt, payment or write-off coming into effect more than a year after the end of the respective reporting year. Amounts receivable, payable or to be written-off within a year are presented as short-term items.

### **Related parties**

Related parties are defined as Company's shareholders, board members (key management personnel) and entities that have the ability to control the Company or exercise significant influence over the Company in making financial and operating decisions and close members of the families of any individual referred to previously and entities over which these persons exercise significant influence or control.

Related parties are defined also as entities in which the Company has significant influence or control.

### **Own shares and participation in other undertakings**

Acquired own shares are reported in the balance sheet item "Own stocks and shares", but participation in the equity capital of another undertaking are reported accordingly in "Participation in the capital of associated undertakings" or "Other securities and investments".

### **Intangible assets and property, plant and equipment**

Intangible assets and property, plant and equipment are initially measured at cost.

Property, plant and equipment are recognized as non-current assets if their acquisition cost exceeds 150 euros. Purchases under 150 euros are recognised as low-value inventory.

The cost of an item of property, plant and equipment comprises its purchase price, including import duties and nonrefundable purchase taxes, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Only rights acquired in exchange for consideration are indicated in the item "Concessions, patents, licenses, trademarks, and similar rights".





Intangible assets and property, plant and equipment are stated at cost less accumulated depreciation. Depreciation on assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

*Intangible assets:*

Computer software etc.	20	%
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*Property, plant and equipment*

Buildings and construction	5	%
Technological plant and machinery	10,20	%
Vehicles	20	%
Other fixed assets and equipment	20	%

Depreciation is calculated starting with the following month after the intangible asset or property, plant and equipment is ready for intended use. Land is not depreciated. Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. To the extent that the Company depreciates separately some parts of property and equipment, it also depreciates separately the remainder of the item. The remainder consists of the parts that are individually insignificant. The depreciation for the remainder is determined using approximation techniques to faithfully represent its useful life.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of property and equipment is the higher of an asset's net selling price and its value in use.

Profit or loss from alienation of a long-term investment object is indicated in the income statement in the net value.

Repair and restoration costs that increase useful life and value of assets are capitalized and depreciated over their estimated useful lives. Other repair and restoration costs are recognized as expenses of the reporting period.

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.

If investments are made in the rented asset (e.g., reconstruction, improvement or renewal), then such costs are recognized in the balance sheet item "Long-term investments in leased assets" and depreciated over the lease period.

**Revaluation of fixed assets and establishment of reserve**

A fixed assets object, the value of which is significantly higher than the costs of its acquisition or production cost price or assessment on the balance sheet of the previous year, is revalued according to its higher value, if it may be assumed that the value increase will be long-term. A difference arisen as a result of such revaluation between assessment, which was carried out on the basis of acquisition costs or production cost price, and assessment which was carried out on the basis of revaluation, if such difference is positive, is included in the relevant assets item of the balance sheet where revalued object of fixed assets is indicated and in the liabilities item of the balance sheet "Revaluation reserve of long-term investments" under the section "Equity".

**Accounting of productive animals or plants**

Animals are initially measured and recorded at the following cost:

- bought animals - purchase cost of these animals;
- self-produced animals - production costs of these animals (the costs for producing animal).

**Development costs**

Development costs are costs which are directly eligible to development measures or which may be justifiably related to these measures.





### **Inventories**

Inventories are stated at the lower of cost and net realisable value according to the perpetual inventory method.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- raw materials and purchased goods are recognized at acquisition cost using the weighted average price;
- sow seeds of winter crops and bull semen - at cost.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Net realisable value is disclosed at the purchase (production) cost less provisions made.

### **Receivables**

Receivables are recognized at original invoice amount less an allowance for any doubtful amounts. The allowance for any doubtful amounts is made in the cases, when the collection of these amounts is problematic. Bad debts are written off when the recovery is deemed impossible.

Signs that an amount receivable may be doubtful:

- delayed payment of debt, after repeated reminders the debtor still does not pay or the debtor is questioning the Company's right to recover the debt;
- the debtor's poor financial situation and negative operating results or other circumstances indicating the debtor's failure to pay the full amount of the debt (known, that the debtor is subject of proceedings for its recognition as bankrupt), etc.

### **Trade receivables**

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

### **Other receivables**

The Company under the item "Other receivables" presents those debtors that cannot be presented in other items, including tax overpayments, debit balances of accounts payable.

### **Prepaid expense and deferred revenue**

Payments made before the balance sheet date but referring to the next financial years shall be indicated in the item "Prepaid expense".

Payments received before the balance sheet date but referring to the next financial years or further financial years shall be indicated in the balance sheet item "Deferred revenue".

### **Other securities and investments**

Long-term investments in bonds and securities are measured at cost in the balance sheet. Short-term investments in shares and securities, which are listed on the stock exchange, are measured at market value in the balance sheet, which is determined by the stock exchange transactions on the last day of the reporting year.

### **Cash**

Cash and cash equivalents include cash in bank and on hand.

### **Share capital**

The item "Equity" shows the share capital according to the capital registered in the Commercial Register.

### **Share premium**



If shares of new issue have been sold for a larger amount than the nominal value, the Company has share premium. If these have been sold for an amount below the nominal value, the negative difference is indicated in the section "Equity" as a negative number.

### **Reserves**

Reserves are part of the net profit for the reporting year, which was redirected according to the special purposes defined in law and Statutes (incl. loss cover).

### **Payables**

Payables are reported according to supporting documents and checked with respective creditors by reconciling balances.

### **Loans and borrowings**

Loans and borrowings are initially recognized at cost, determined by the fair value and plus directly attributable transaction costs for issued loans and net of directly attributable transaction costs for borrowings received.

### **Leases**

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments, by respective charge to current and non-current liabilities. Lease payments are apportioned between the finance charges and reduction of the principal lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are included in the income statement as interest expense.

If there is reasonable certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset; otherwise capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term on a straight-line basis.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. The commitments undertaken by the Company with respect to operating lease contracts are recorded as off-balance sheet liabilities.

### **Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of provisions to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

### **Accrued income**

As accrued income are recognized clearly known settlement amounts with buyers and customers for the supply of goods or services in the reporting year but for which payment documents (invoices) have not been issued by the balance sheet date due to the terms of the agreement.

### **Accrued liabilities**

Accrued liabilities comprise clearly known trade payables for goods or services which have been supplied during the reporting year but for which payment documents (invoices) have not been received by the balance sheet date due to the terms of the supply, sale or contractor agreement or for any other reasons.

### **Reserve for unused leaves**

Reserve for unused leaves is determined by multiplying the average salary for the last six months of the reporting year of each employee by the number of unused accrued annual leave days.





### **Advances from customers**

Advances from customers are payments which in accordance with the contract the buyer pays the seller before the receipt of goods or service.

### **Other payables**

The company under the item "Other payables" presents those creditors that cannot be presented in other items, including credit balances of accounts receivable.

### **Dividends**

Claims and obligations in respect of dividends are recognized when the shareholders' right to receive the payment is established, which means that only when the distribution is authorised by the shareholders decision, as well as when the amount of dividends is calculated.

### **Taxes and mandatory state social insurance contributions**

Tax information is reconciled with the tax administration. The Company presents within payables only tax debts, any overpayments are presented under other receivables.

### **Subsidies**

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

### **Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, less value added tax and sales-related discounts. The following specific recognition criteria must also be met before revenue is recognised:

#### ***Sale of goods***

Revenue arising from the sale of goods is recognised when all of the following criteria have been satisfied:

- 1) the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- 2) the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- 3) it is probable that the economic benefits associated with the transaction will flow to the Company;
- 4) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Company reports the sale of goods, taking into account the economic substance and not merely the legal form.

#### ***Provision of services***

Revenue arising from the rendering of services is recognised in the period when the services are rendered.

Revenue arising from the rendering of services and related costs is recognised by reference to the stage of completion of the transaction at the balance sheet date.

If the outcome cannot be estimated reliably, revenue arising from the rendering of services is recognised only to the extent of the expenses recognised that are recoverable.





### **Other income**

Other income is income that is not included in the revenue, is occurred in the result of the economic activity, or is related to, or directly derived. Other income is recognised as follows:

- revenues from fines and penalties – upon receipt;
- proceeds from the sale of non-current assets - net gain or loss on non-current assets' sale are determined by comparing the proceeds with the carrying amount and are included in the income statement as incurred;
- revenue from exchange rate fluctuations - net profit or loss from currency fluctuations is calculated as the difference between revenue and losses from exchange rate fluctuations and included in the income statement as incurred;
- interest income on current account balances from credit institutions registered in the Republic of Latvia - upon receipt;
- dividends - when the shareholder's right to receive payment is established;
- other income – as incurred.

### **Corporate income tax**

Corporate income tax includes current corporate income tax. Corporate income tax is recognized in the income statement. Current corporate income tax is calculated in accordance with the Law on Corporate Income Tax and is applied statutory tax rate of 15% on taxable income.

Deferred income tax for 2016 and 2015 results in tax asset and in accordance with the precautionary principle it is not recognized.

### **Subsequent events**

Post-year-end events that provide additional information about the Company's position at the balance sheet date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

**The Board and chief accountant prepared the Company's Annual report for the year ended 31 December 2016 and signed it on \_\_ April 2017.**

Chairman of the Board  
Member of the Board  
Member of the Board, Chief Accountant

GATIS KAČIS  
SIGITA LUKAŽE  
DAIGA LIELPINKA



## NOTES TO THE BALANCE SHEET (continued)

	<b>2016</b>	<b>2015</b>
1 Average number of employees during the reporting year, incl.	35	36
Members of the Board	3	3
Members of the Council	5	5
Other employees	27	28
	<b>2016</b>	<b>2015</b>
	EUR	EUR
2 Total labour costs	<b>39 70 86</b>	<b>41 67 48</b>
- salaries	32 23 12	33 83 57
- state mandatory social insurance payments	7 47 74	7 83 91
Remuneration of employees engaged in production (core activity)		
- salaries	20 61 94	219771
- state mandatory social insurance payments	4 72 27	5 09 86
- total	<b>25 34 21</b>	<b>27 07 57</b>
Remuneration of administration		
- salaries	11 61 18	118586
- state mandatory social insurance payments	2 75 47	2 74 05
- total	<b>14 36 65</b>	<b>14 59 91</b>
3 Management remuneration		
<i>Members of the Council</i>		
- salaries	1 64 96	1 63 20
- state mandatory social insurance payments	35 57	35 16
- total	<b>2 00 53</b>	<b>1 98 36</b>
<i>Members of the Board</i>		
- salaries	6 49 47	7 50 93
- state mandatory social insurance payments	1 52 55	1 77 43
- total	<b>8 02 02</b>	<b>9 28 36</b>



4. Intangible assets

	Concessions, patents, licences, trademarks and similar rights	Advance payments	Total intangible assets
<b>Purchase value as at 31.12.2014</b>	<b>44 21</b>	<b>0</b>	<b>44 21</b>
Additions	0	0	0
Disposal	0	0	0
Reclassification	0	0	0
<b>Purchase value as at 31.12.2015</b>	<b>44 21</b>	<b>0</b>	<b>4421</b>
<b>Depreciation as at 31.12.2014</b>	<b>30 96</b>	<b>0</b>	<b>3096</b>
Calculated	4 53	0	453
Written off	0	0	0
<b>Depreciation as at 31.12.2015</b>	<b>35 49</b>	<b>0</b>	<b>3549</b>
<b>Net book amount 31.12.2014</b>	<b>13 25</b>	<b>0</b>	<b>13 25</b>
<b>Net book amount 31.12.2015</b>	<b>8 72</b>	<b>0</b>	<b>872</b>
			<b>0</b>
<b>Purchase value as at 31.12.2015</b>	<b>44 21</b>	<b>0</b>	<b>4421</b>
Additions	0	0	0
Disposal	0	0	0
Reclassification	0	0	0
<b>Purchase value as at 31.12.2016</b>	<b>44 21</b>	<b>0</b>	<b>4421</b>
			<b>0</b>
<b>Depreciation as at 31.12.2015</b>	<b>35 49</b>	<b>0</b>	<b>3549</b>
Calculated	3 36	0	336
Written off	0	0	0
<b>Depreciation as at 31.12.2016</b>	<b>38 85</b>	<b>0</b>	<b>3885</b>
<b>Net book amount 31.12.2015</b>	<b>8 72</b>	<b>0</b>	<b>872</b>
<b>Net book amount 31.12.2016</b>	<b>5 36</b>	<b>0</b>	<b>536</b>





5. Property, plant and equipment

	Real estate	technological equipment and machinery	Other property, plant and equipment	Construction in progress	Animals and plants	Total
<b>Purchase value as at 31.12.2014</b>	<b>83 65 28</b>	<b>52 83 47</b>	<b>4 06 81</b>		<b>3 54 77</b>	<b>1 44 10 33</b>
Additions	0	5 88 03	2 89	4200	1 80 40	8 13 32
Disposal	0	-3 37 92	-7 15		-1 00 08	-4 45 15
Reclassification	0	0	0		0	0
<b>Purchase value as at 31.12.2015</b>	<b>83 65 28</b>	<b>55 33 58</b>	<b>4 02 55</b>	<b>4200</b>	<b>4 35 09</b>	<b>1 47 78 50</b>
						<b>0</b>
<b>Depreciation as at 31.12.2014</b>	<b>5 34 90</b>	<b>45 13 34</b>	<b>2 94 77</b>		<b>0</b>	<b>53 43 01</b>
Calculated	94 30	2 59 05	31 39		0	3 84 74
Written off	0	-3 37 92	-6 34		0	-3 44 26
<b>Depreciation as at 31.12.2015</b>	<b>6 29 20</b>	<b>44 34 47</b>	<b>3 19 82</b>		<b>0</b>	<b>53 83 49</b>
<b>Net book amount 31.12.2014</b>	<b>78 30 38</b>	<b>7 70 13</b>	<b>1 12 04</b>		<b>3 54 77</b>	<b>90 67 32</b>
<b>Net book amount 31.12.2015</b>	<b>77 36 08</b>	<b>10 99 11</b>	<b>82 73</b>	<b>4200</b>	<b>4 35 09</b>	<b>93 95 01</b>
						<b>0</b>
<b>Purchase value as at 31.12.2015</b>	<b>83 65 28</b>	<b>55 33 58</b>	<b>40255</b>	<b>4200</b>	<b>4 35 09</b>	<b>1 47 78 50</b>
Additions	11 38 18	2 80 62	1547	118358	2 60 38	28 78 23
Disposal	0	-3 20 21	-2310	-113818	-2 13 86	-16 95 35
Reclassification	0	0	0		0	0
<b>Purchase value as at 31.12.2016</b>	<b>95 03 46</b>	<b>54 93 99</b>	<b>3 94 92</b>	<b>8740</b>	<b>4 81 61</b>	<b>1 59 61 38</b>
						<b>0</b>
<b>Depreciation as at 31.12.2015</b>	<b>6 29 20</b>	<b>44 34 47</b>	<b>3 19 82</b>		<b>0</b>	<b>53 83 49</b>
Calculated	94 30	3 23 95	2406		0	4 42 31
Written off	0	-3 18 01	-2310		0	-3 41 11
<b>Depreciation as at 31.12.2016</b>	<b>7 23 50</b>	<b>44 40 41</b>	<b>3 20 78</b>		<b>0</b>	<b>54 84 69</b>
<b>Net book amount 31.12.2015</b>	<b>77 36 08</b>	<b>10 99 11</b>	<b>82 73</b>	<b>4200</b>	<b>4 35 09</b>	<b>93 95 01</b>
<b>Net book amount 31.12.2016</b>	<b>87 79 96</b>	<b>10 53 58</b>	<b>74 14</b>	<b>8740</b>	<b>4 81 61</b>	<b>1 04 76 69</b>

Real estate	Cadastral No.	Cadastral value as at 31.12.2016	Book value as at 31.12.2016
<i>Land</i>	EUR	29 56 56	45 48 76
<i>Buildings and construction</i>	EUR	4 52 70	42 31 20



	31.12.2016	31.12.2015
<b>6 Raw materials and consumables</b>	<b>EUR</b>	<b>EUR</b>
Materials	15420	18919
Feed additives	351	176
Mineral fertilizers and chemicals	6764	9440
Grain and seedcorn	52698	58061
Fuel	24 58	31 34
Spare parts	4 37	1 91
Animal feed	4037	23 38
<b>Total</b>	<b>8 21 65</b>	<b>9 22 59</b>
<b>7 Work in progress</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
	<b>EUR</b>	<b>EUR</b>
Winter crops	3 95 91	3 81 21
<b>Total</b>	<b>3 95 91</b>	<b>3 81 21</b>
<b>8 Finished goods</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
	<b>EUR</b>	<b>EUR</b>
Frozen bulls sperm	30 61 81	32 30 29
<b>Total</b>	<b>30 61 81</b>	<b>32 30 29</b>
<b>9 Trade receivables</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
	<b>EUR</b>	<b>EUR</b>
Carrying amount of trade receivables	8 30 81	9 10 56
Allowance for doubtful debts	-1 09 52	-1 07 49
Net trade receivables	<b>7 21 29</b>	<b>8 03 07</b>
Movements in the allowance for doubtful debts	<b>Trade receivables</b>	<b>Total</b>
Allowance as at 31.12.2015	<b>1 07 49</b>	<b>80 65</b>
Decrease	0	0
Increase	2 03	26 84
Allowance as at 31.12.2016	<b>1 09 52</b>	<b>1 07 49</b>
<b>10 Other receivables</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
	<b>EUR</b>	<b>EUR</b>
Overpayment of state fee of business risk	0	14
Payments to advance settlement parties	190	465
<b>Total</b>	<b>1 90</b>	<b>4 79</b>
<b>11 Prepaid expense</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
	<b>EUR</b>	<b>EUR</b>
Insurance	58 14	57 36
Expenses related to official travels	0	32 30
<b>Total</b>	<b>58 14</b>	<b>89 66</b>



12 Cash	31.12.2016	31.12.2015
	EUR	EUR
Cash at bank	21 02 05	25 36 08
Cash in hand	44 10	18 18
<b>Total</b>	<b>21 46 15</b>	<b>25 54 26</b>

### 13 Share capital

As at 31 December 2016 registered and fully paid share capital of the Company is EUR 613200 and it consists of 876000 shares with a par value of EUR 0.70 per share. As at 31 December 2015 registered and fully paid share capital of the Company is EUR 613200 and it consists of 876000 shares with a par value of EUR 0.70 per share.

Capital structure Share Class	31.12.2016			31.12.2015		
	% of share capital	Number of shares	EUR	% of share capital	Number of shares	EUR
Bearer shares with voting rights - publicly traded	100%	87 60 00	61 32 00	100%	43 80 00	62 32 18
Bearer shares without voting rights	0%	0		0%	0	
	100%	<b>87 60 00</b>	<b>61 32 00</b>	100%	<b>43 80 00</b>	<b>62 32 18</b>

#### Shareholders of the Company as at 31 December 2016 and their position in the Company

Shareholders	Position in the Company	% of share capital
SIA Latvijas šķ. dzīv. audz. sav.	shareholder	42.10%
SIA JL INDEX	shareholder	11.50%
Pēteris Augustovs	shareholder	11.70%
Other shareholders	x	34.70%
<b>Total:</b>	<b>x</b>	<b>100.00%</b>

Declared and paid dividends during the reporting period is EUR 39420.

#### Details of the restrictions on the transfer of shares

Restrictions on the transfer of shares or receipt of specific consent for transfer of shares have not been determined.

#### Shareholders' rights and agreements

Regulated by Latvian laws and regulations, the Company's Statutes does not define special restrictions or provisions relating to the voting rights.

The Company has no information on any shareholders agreement.

#### Powers of board members and special agreements

According to Company's Statutes each board member has the right to represent the Company separately.

The Company and board members do not have an agreement on resignation compensation.

#### The rules for the election of board members, amendments of the Statutes

Regulated by Latvian laws and regulations, the Company's Statutes does not define special restrictions or provisions relating to the election of board members, changes in the composition of the Board and amendment of the Statutes.





<b>14 Retained earnings</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
	<b>EUR</b>	<b>EUR</b>
Retained earnings for the previous year	96 26 79	88 94 16
Retained earnings for the year	11 18 28	11 26 83
<b>Total</b>	<b>1 07 45 07</b>	<b>1 00 20 99</b>
<b>15 Provisions</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
	<b>EUR</b>	<b>EUR</b>
Provisions for leaves	0	2 19 77
<b>Total</b>	<b>0</b>	<b>2 19 77</b>
<b>16 Deferred income (non-current)</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
	<b>EUR</b>	<b>EUR</b>
EU financing for reconstruction and modernisation of bulls'cattle-shed	0	9 17
EU financing for new machinery purchase for grain industry	0	22 53
<b>Total</b>	<b>0</b>	<b>31 70</b>
	<b>31.12.2016</b>	<b>31.12.2015</b>
Deferred income write-off period	<b>EUR</b>	<b>EUR</b>
From 2 to 5 years	0	31 70
After 5 years	0	0
<b>Total</b>	<b>0</b>	<b>31 70</b>
<b>17 Trade payables</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
	<b>EUR</b>	<b>EUR</b>
Latvian trade payables	80 67	85 81
Foreign trade payables	0	33 00
<b>Total</b>	<b>80 67</b>	<b>1 18 81</b>
<b>18 Taxes payable</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
	<b>EUR</b>	<b>EUR</b>
State mandatory social insurance payments	1 06 28	1 08 84
Personal income tax	55 04	57 32
Corporate income tax	0	4657
Value added tax	9141	20315
Natural resources tax	8 17	4 75
State fee of business risk	20	0
<b>Total</b>	<b>2 61 10</b>	<b>4 20 63</b>
<b>19 Other payables</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
	<b>EUR</b>	<b>EUR</b>
Salaries	1 60 38	1 70 91
Payments to advance settlement party	0	1 40
Receivables overpayments	3 43	372
<b>Total</b>	<b>1 63 81</b>	<b>1 76 03</b>



<b>Unpaid dividends</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
	<b>EUR</b>	<b>EUR</b>
Blance at the start of the year	0	0
Calculated	3 94 20	0
Paid, personal income tax withheld	-3 94 20	0
<b>Total</b>	<b>0</b>	<b>0</b>
<b>20 Accrued liabilities</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
	<b>EUR</b>	<b>EUR</b>
Accrued liabilities - unused annual leaves	1 84 65	0
Accrued liabilities	1 12 61	1 05 31
<b>Total</b>	<b>2 97 26</b>	<b>1 05 31</b>
<b>21 Deferred income</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
	<b>EUR</b>	<b>EUR</b>
EU financing for reconstruction and modernisation of boars'cattle-shed	0	10245
EU financing for reconstruction and modernisation of bulls'cattle-shed	9 17	54 58
EU financing for new machinery purchase for grain industry	22 53	30 04
<b>Total</b>	<b>31 70</b>	<b>1 87 07</b>

#### NOTES TO THE INCOME STATEMENT

<b>22 Revenue</b>	<b>Nace</b>	<b>2016</b>	<b>2015</b>
	<b>kods</b>	<b>EUR</b>	<b>EUR</b>
a) from agricultural activity			
Revenue from animal semen	01.62	491201	518500
Revenue from artificial insemination services	01.62	69603	75736
Revenue from livestock sale	01.42	7069	2405
Revenue from grain sale	01.11	205060	174876
Revenue from linear evaluation of cows	01.62	33691	63929
Revenue from grain kiln service	01.63	78 90	29 24
Revenue from sale of other products and services	01.19	120	8 80
<b>Total</b>		<b>814634</b>	<b>839250</b>
b) from other type of economic activities			
Revenue from milk sample collection	52.29	5 47 80	5 72 70
Revenue from sale of other products and services	47.99	48743	4 74 28
<b>Total</b>		<b>10 35 23</b>	<b>10 46 98</b>
<b>Grand total</b>		<b>91 81 57</b>	<b>94 39 48</b>
<b>22a Revenue by geographical segments</b>		<b>2016</b>	<b>2015</b>
		<b>EUR</b>	<b>EUR</b>
Latvia		911187	943948
Netherlands		6970	0
<b>Total</b>		<b>918157</b>	<b>943948</b>



23 Cost of sales	2016	2015
	EUR	EUR
Insurance payments	34 32	40 53
Salaries	12 81 46	14 62 80
State mandatory social insurance payments	2 91 20	3 46 57
Forage	84 98	91 56
Property, plant and equipment depreciation	4 14 67	3 49 66
Medication	9 25	9 41
Electricity costs	1 00 58	83 90
Materials and spare parts	5 07 19	5 11 86
Current repair services	1 92 33	1 46 85
Disposal and dry waste	5 88	6 82
Natural resources tax	9 72	6 08
Gas costs	65 81	35 38
Fuel	3 68 26	3 68 73
Miscellaneous services	4 56 43	4 73 61
Fertilizers, seeds and chemicals	8 22 35	9 22 82
Other costs	1 45 18	1 44 47
<b>Total</b>	<b>47 89 61</b>	<b>50 01 05</b>
24 Distribution costs	2016	2015
	EUR	EUR
Salaries	78048	73491
State mandatory social insurance payments	18107	16329
Advertising costs	45 58	58 68
<b>Immovable property tax on land and buildings</b>	<b>54 74</b>	<b>50 21</b>
Expenses related to official travels	1 17 27	0
Transport costs	5 84 00	6 21 25
Writte-off of breeding bull' bio product	20 86	26 41
Allowance for doubtful debts	2 03	0
Other costs	1 58 32	1 52 24
<b>Total</b>	<b>19 44 35</b>	<b>18 06 99</b>
25 Administrative expenses	2016	2015
	EUR	EUR
Administrative personnel expenses	11 61 18	11 85 86
State mandatory social insurance payments	2 75 47	2 74 06
Transport costs	1 65 21	1 25 84
Communication expenses	11 87	17 61
Office maintenance expenses	20 68	46 77
Property, plant and equipment depreciation	31 00	39 61
Legal services	35	12 99
Annual report and audit expenses	90 49	90 43
Bank charges	9 41	8 68
Miscellaneous services	2 63 55	2 59 08
Representation expenses	4761	0
<b>Total</b>	<b>20 76 82</b>	<b>20 60 93</b>





<b>26 Other operating income</b>	<b>2016</b>	<b>2015</b>
	<b>EUR</b>	<b>EUR</b>
Subsidies from the Ministry of Agriculture	5 55 31	3 62 87
EU financing for reconstruction and modernisation of boars'cattle-shed	1 02 45	1 02 45
EU financing for reconstruction and modernisation of bulls'cattle-shed	54 58	54 58
EU financing for new machinery purchase for grain industry	30 04	30 04
Income from foreign currency exchange rate fluctuations	0	93
Proceeds from sale of property, plant and equipment, net	10 84	3517
Other income	4 29	24 31
<b>Total</b>	<b>7 57 51</b>	<b>6 10 35</b>
<b>27 Other operating expense</b>	<b>2016</b>	<b>2015</b>
	<b>EUR</b>	<b>EUR</b>
Losses from foreign currency exchange rate fluctuations, net	706	0
Other expenses	200	0
<b>Total</b>	<b>9 06</b>	<b>0</b>
<b>28 Interest payable and similar expense</b>	<b>2016</b>	<b>2015</b>
	<b>EUR</b>	<b>EUR</b>
b) to other persons	96	7 46
<b>Total</b>	<b>96</b>	<b>7 46</b>
<b>29 Corporate income tax</b>	<b>2016</b>	<b>2015</b>
	<b>EUR</b>	<b>EUR</b>
Corporate income tax	0	46 57
<b>Total</b>	<b>0</b>	<b>46 57</b>
<b>29a Deferred tax expense / (benefit)</b>	<b>31.12.2016.</b>	<b>31.12.2015.</b>
Temporary differences on unused accrued annual leaves	-1 84 65	-2 19 77
Temporary differences of property, plant and equipment depreciation rates	-24 27 87	-26 56 36
<b>Deferred tax liabilities (+), assets (-)</b>	<b>-3 91 88</b>	<b>-4 31 42</b>
Deferred income tax for 2016 and 2015 results in tax asset and in accordance with the precautionary principle it is not recognized.		
<b>30 Sworn auditor's remuneration</b>	<b>2016</b>	<b>2015</b>
	<b>EUR</b>	<b>EUR</b>
Statutory audit of the Annual report	14 50	14 50
Other audit engagements	0	0
Tax consultancy	0	0
Other expert tasks	0	0
<b>Total</b>	<b>14 50</b>	<b>14 50</b>



### 31 Financial risk management

The Company's principal financial instruments comprise trade and other receivables and trade and other payables, which arise directly from its operations.

#### Financial risks

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

#### Currency risk

The Company's monetary assets and liabilities that are subject to foreign currency risk comprise cash, trade payables. The Company is exposed to foreign currency risk mainly due to the USD currency.

#### Liquidity risk

The Company manages its liquidity risk by maintaining an adequate level of cash.

#### Credit risk

The Company is exposed to credit risk through its trade 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. The Company doesn't have credit risk concentration to single partner or similar description partners group.

### 32 Information on significant lease contracts

During the reporting year the Company concluded three Land Lease Contracts for the land lease in Kuldiga region, which in 2017 will be reconcluded for three years.

### 33 Financial assistance received and other forms of financial support

During the reporting year the company received subsidies from the Ministry of Agriculture granted to boars industry EUR 5208, bulls industry EUR 4339, area payment EUR 45984.

In 2016 the Company recognized attributable share of EU funding: boars'cattle-shed reconstruction EUR 10245, bulls'cattle-shed reconstruction EUR 5458, purchase of trailer and drive EUR 3004.

All conditions of the finance provider regarding financial assistance of the previous years are met.

The Company did not have repaid amounts in relation to the non-fulfillment of conditions of the finance provider.

During the reporting year the Company did not receive any state or local government guarantees or equity contributions.

During the reporting year the Company did not receive any donations or gifts.

### 34 Transactions with related parties

No transactions.

### 35 Liabilities to former employees

The Company has no obligations to former employees.

### 34 Events after the reporting period

In the period from the last day of the reporting year till signing this report, there have been no substantial events affecting the final results of the Annual report

The Board and chief accountant prepared the Company's Annual report for the year ended 31 December 2016 and signed it on \_\_ April 2017.

Chairman of the Board  
Member of the Board  
Member of the Board, Chief Accountant

GATIS KAĶIS  
SIGITA LUKAŽE  
DAIGA LIELPINKA



## STATEMENT OF RESPONSIBILITY OF THE MANAGEMENT

The Management of Joint Stock Company "Kurzemes ciltslietu un mākslīgās apsēklošanas stacija" is responsible for the preparation of the Company's Annual Report.

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 year 2016 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

Member of the Board

Member of the Board, Chief Accountant

GATIS KAĶIS

SIGITA LUKAŽE

DAIGA LIELPINKA





## Management Report

28 February 2017

### Company's operations during reporting year

The Company is not planning on changing the main activity area. Introduction of new services to the clients is under consideration.

Currently the main business risk is related to the rapid spread of African swine fever in the territory of Latvia. The disease has been found in the districts near the location of the Company. Biosecurity measures are being increased, in order to prevent disease from spreading in breeding boars. If, this disease will spread in the farms of the Company's main clients, there is a risk that the sale of boars sperm will rapidly decrease.

### Financial results and financial standing of the Company's commercial activity

The Company's revenue in 2016 amounts to EUR 918157; it is 2.8 % less than in 2015. The Company's profit for the year is EUR 111828, profit per share is EPS EUR 0.128. The main reasons for revenue decrease are grain purchase price downslide and the continuing fall of milk purchase price, as a result clients choose to purchase cheaper bioproducts and use the Company's services less.

Due to the spread of African swine fever, the amount of the Company's small clients has reduced. 80% of total boars bioproducts is sold to the big farms. The major clients work with caution and no longer increase the number of sows, as a result sales of boars sperm have slightly decreased.

In the reporting year, the Company received subsidies from the state and EU in the amount of EUR 55531. Subsidies received for breed animals maintenance and EU payments area.

In 2016 the Company purchased property, plant and equipment in the amount of EUR 143427, including: reconstruction of garage workshop building EUR 113818, two cars EUR 19812, tractor trailer-tank EUR 8250, computer system with printer EUR 1547.

In 2016, attracting EU funds, the Company's technical housing redevelopment project was implemented (Project "Garage-building workshop conversion" No. 16-08-A, 16-08-A 00401-000444) for a total amount of EUR 109161.72. Upon completion of the project, in January 2017, received public funding of EUR 43664.69. It has been made drainage system rebuilding in the amount of EUR 15015.80, improving agricultural land acquisition of 37.7 hectares.

Revenue for 2016 in the amount of EUR 18707 applies to co-financing from the EU Structural Funds.

### Calculation of financial results:

#### Liquidity (Company's paying capacity – Company's ability to cover its current liabilities):

Total liquidity ratio	8.64
Current liquidity ratio	3.51
Quick liquidity ratio	2.57

#### Profitability (Company's success in profit-making):

Gross profit ratio	47.83%
Earnings before interest	12.18%
Taxable profit ratio	12.18%
Net profit ratio	12.18%

#### Own funds ratios:

Non-current assets coverage with equity	1.61
Non-current assets coverage with equity and long-term liabilities	1.61



Current assets coverage with current liabilities	0.12
Net working capital (EUR)	637231.00
<b>Solvency (Company's ability to cover non-current and current liabilities):</b>	
Debt to assets ratio	0.05
Debt to equity ratio	0.05
Interest Coverage Ratio	1165.88

#### Development of the Company

1. Retain existing customers and continue to attract new customers.
2. Optimize the production and selling costs.
3. Buy or lease agricultural land for the grain industry.
4. Consider opportunities to attract EU funds for the reconstruction of Company's grain dryers and rebuild of garage-workshop building.

#### Events in Research and Development

No research works are planned.

#### The Company's branches and representative offices abroad

No

#### Financial risk management

The Company's principal financial instruments comprise trade and other receivables and trade and other payables, which arise directly from its operations.

##### Financial risks

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

##### Currency risk

The Company's monetary assets and liabilities that are subject to foreign currency risk comprise cash, trade payables. The Company is exposed to foreign currency risk mainly due to the USD currency.

##### Liquidity risk

The Company manages its liquidity risk by maintaining an adequate level of cash.

##### Credit risk

The Company is exposed to credit risk through its trade 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. The Company doesn't have credit risk concentration to single partner or similar description partners group.

#### Subsequent events

After the end of the reporting year three shareholders, who each owned more than 5% of Company's shares, sold the shares. 28.01% of shares were acquired by SC "Agrofirma Tērvete". The composition of Company's Council also changed.

#### Management's proposals on profit sharing or loss cover

The Company's management proposes to use the profit of 2016 for the development of the Company.

Report on corporate governance for 2016 is publicly available on SC "Kurzemes ciltslietu un mākslīgās apsēklošanas stacija" website: [www.kurzemescmas.lv](http://www.kurzemescmas.lv)

Chairman of the Board  
Member of the Board  
Member of the Board, Chief Accountant

GATIS KAČIS  
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DAIGA LIELPINKA



## **Independent Auditor's Report**

### **To the Shareholder of Joint Stock Company**

### **"Kurzemes ciltslietu un mākslīgās apsēklošanas stacija"**

Reg.No. 40003017085

### **Our Opinion on the Financial Statements**

We have audited the accompanying financial statements of Joint Stock Company "Kurzemes ciltslietu un mākslīgās apsēklošanas stacija" ("the Company") set out on pages 3 to 27 of the accompanying annual report, which comprise:

- the balance sheet as at 31 December 2016,
- the profit and loss statement for the year then ended,
- the statement of changes in equity for the year then ended,
- the statement of cash flows for the year then ended, and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Joint Stock Company "Kurzemes ciltslietu un mākslīgās apsēklošanas stacija" as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

### **Basis for Opinion**

In accordance with the Law on Audit Services of the Republic of Latvia we conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and independence requirements included in the Law on Audit Services of the Republic of Latvia that are relevant to our audit of the financial statements in the Republic of Latvia. We have also fulfilled our other professional ethics responsibilities and objectivity requirements in accordance with the IESBA Code and Law on Audit Services of the Republic of Latvia.

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



### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our report:

Measurement of genetic material and presentation in the financial statements. The assessment is carried out by the Company's specialists based on the INTERBULL evaluation. Genetic material is stored and presented in inventories, as long as there is a possibility that the product will be marketed.

#### *Reporting on Other Information*

The Company management is responsible for the other information. The other information comprises:

- the Management Report, as set out on page 29-30 of the accompanying Annual Report,
- the Statement on Management Responsibility, as set out on page 28 of the accompanying Annual Report,
- the Statement on Corporate Governance, prepared as a separate part of the annual report, indicating in the Management Report the website address on the Internet, where the Statement on Corporate Governance is available to the public in electronic form.

Our opinion on the financial statements does not cover the other information included in the Annual Report, and we do not express any form of assurance conclusion thereon, except as described in the *Other reporting responsibilities in accordance with the legislation of the Republic of Latvia* section of our report.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed and in light of the knowledge and understanding of the entity and its environment obtained in the course of our audit, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### *Other reporting responsibilities in accordance with the legislation of the Republic of Latvia*

In addition, in accordance with the Law on Audit Services of the Republic of Latvia with respect to the Management Report, our responsibility is to consider whether the Management Report is prepared in accordance with the requirements of the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia and The Financial and Capital Market Commission requirements.

Based solely on the work required to be undertaken in the course of our audit, in our opinion:

- the information given in the Management Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and



- the Management Report has been prepared in accordance with the requirements of the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia and The Financial and Capital Market Commission requirements.

In accordance with the Law on Audit Services of the Republic of Latvia with respect to the Statement of Corporate Governance, our responsibility is to consider whether the Statement of Corporate Governance includes the information required in section 56.1, first paragraph, clause 3, 4, 6,, 8 and 9, as well as section 56.2, second paragraph, clause 5 of the Financial Instruments Market Law and if it includes the information stipulated in section 56.2 second paragraph, clause 1, 2, 3, 4, 7 and 8 of the Financial Instruments Market Law.

In our opinion, the Statement of Corporate Governance includes the information required in section 56.1, first paragraph, clause 3, 4, 6,, 8 and 9, as well as section 56.2, second paragraph, clause 5 of the Financial Instruments Market Law and it includes the information stipulated in section 56.2 second paragraph, clause 1, 2, 3, 4, 7 and 8 of the Financial Instruments Market Law.

#### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

#### *Auditor's Responsibility for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and objectivity, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

SIA "Nexia Audit Advice"

The Firm of Sworn Auditors, Licence No. 134

**Marija Jansone**

Member of the Board,

The responsible Certified Auditor, Certificate No. 25

Rīga, Latvija

March 17, 2017