

Joint Stock Company  
" Siguldas ciltslietu un mākslīgās apsūklošanas stacija "  
Registration no. 40003013295

## **REPORT OF THE *SUPERVISORY BOARD***

General meeting of Shareholders of joint stock company "Siguldas ciltslietu un mākslīgās apsūklošanas stacija" 2016 report.

March 20, 2017

Sigulda

The Supervisory Board has considered the report of the Joint Stock Company 2016. The Annual Report provides complete information about the company's economic activity. Economic activity has been carried out in accordance with the financial capability and technical support. The joint stock company has paid all taxes, fully paid employees wages. The Company's net sales during the reporting period decreased by 3.1% or 34 thousand euro compared to the previous 2015. This is because in the reporting year, the country and Europe still ongoing crisis in the dairy sector.

Together with the annual report had submitted to the sworn auditor's report. The auditor has acknowledged that the JSC " Siguldas ciltslietu un mākslīgās apsūklošanas stacija " 2016 report provides a true and fair view of the Company's financial position at 31 December 2016 and the company's operating results and cash flows. The auditor has not detected any material inconsistencies between the financial information presented in the management report and the 2016 financial statement.

Management report are set out in the public development activities 2017.

By increasing operational efficiency, the company will continue to work to expand their production and services market size for ensuring the company's competitiveness.

Supervisory Board has examined the proposal of the Management Board on the 2016 profit distribution of EUR 85 322. The Supervisory Board considers that the Management Board proposal do not the profit, but the cost of the previous year profits in dividends to 63 366 euros, which is a 0.15 euros per share, corresponding to the joint stock company existing financial possibilities.

The Supervisory Board believes that the joint-stock company, in spite of the unfavorable situation in the industry and competition in the market in 2016, has worked well. The submitted 2016 financial statements are true and fair information on the results of operations, cash flows and financial position as at 31 December 2016.

The Supervisory Board is a proposal to approve the general meeting of shareholders of JSC " Siguldas ciltslietu un mākslīgās apsēklošanas stacija " 2016 accounts and dividends from retained earnings of previous years 63 366 euros, which is a 0.15 euros per share.

2016, the Supervisory Board has fulfilled its duties and monitored the operations of the Company in accordance with the law, reviewed the financial statements. During the year took place in 5 Council meeting. Meetings were examined financial statements, the Management Board reports on the work, as well as prospects for the future of AS-related issues.

The Supervisory Board wishes to thank the Company's Management Board and all employees of the company on a successful past financial year.

\_\_\_\_\_ Inita Bedrīte, Chairman of the Supervisory Board

\_\_\_\_\_ Maija Beča, Deputy Chairman of the Supervisory Board

\_\_\_\_\_ Ērika Everte, Member of the Supervisory Board

\_\_\_\_\_ Solvita Arcimoviča, Member of the Supervisory Board

\_\_\_\_\_ Jekaterina Kreise, Member of the Supervisory Board



**Joint Stock Company  
SIGULDAS CILTSLIETU UN  
MĀKSLĪGĀS APSEKLOŠANAS  
STACIJA**

**ANNUAL REPORT  
for 2016**

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## Information on the Company

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Company's name	SIGULDAS CILTSLIETU UN MĀKSLĪGĀS APSĒKLOŠANAS STACIJA
Company's legal status	Joint stock company
Registration number, place and date	40003013295, Riga, 26 July 1991 Registration in the Commercial Register on 19 June 2004
Legal address	'Kalnabeites' 8, Sigulda parish, Sigulda municipality, LV-2150
Shareholders holding more than 5% of the total number of voting shares	'Siguldas mākslīgās apsēklošanas stacija' Ltd. (49.92%), registration No. 40003311954 Oļegs Radčenko (5.20%) Swedbank AS Clients account (5.07%)
Members of the Management Board	Nils Ivars Feodorovs, Chairman of the Management Board, holding 400 shares Sarmīte Arcimoviča, Member of the Management Board, holding 4 124 shares Valda Mālniece, Member of the Management Board, holding 14 260 shares
Members of the Supervisory Board	Inīta Bedrīte, Chairman of the Supervisory Board, holding 1 084 shares Maija Beča, Deputy Chairman of the Supervisory Board, holding 3 066 shares Ērika Everte, Member of the Supervisory Board, holding 2 208 shares Solvīta Arcimoviča, Member of the Supervisory Board, holding 430 shares Jekaterina Kreise, Member of the Supervisory Board, holding 3 683 shares
Reporting period	01.01.2016 – 31.12.2016
Previous reporting period	01.01.2015 – 31.12.2015
Auditors	Vija Dzene Sworn Auditor Certificate No. 108  V. Dzenes Audits Ltd. Hospitalu street 8 Riga, LV-1013, Latvia Sworn Auditors' Commercial Company's license No. 120

## **Management Report**

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### **Types of Operations**

JSC 'Siguldas ciltslietu un mākslīgās apsēklošanas stacija' (hereinafter referred to as the Company) is one of the largest high-quality breeding bull semen producers and suppliers in Latvia. The second largest field of the Company's basic economic activities is the milk testing services. The Company also provides other breeding related services – consultations on issues of cattle breeding, feeding and keeping, evaluation of cow exterior, artificial insemination of cows, initial processing of the supervisory data.

### **Brief Description of the Company's Activities in the Reporting Year and Financial Condition**

The Company's net turnover in 2016 was 1.1 million euros, which is by 34 thousand euros or 3.1% less than in 2015 due to the overall economic crisis in the milk market of Latvia.

The proportion of the revenue from the Company's basic economic activities, if compared to year 2015, had not changed substantially – the revenue from the sales of the bull semen comprised 51.4% of the net turnover, whereas the milk laboratory services and processing of supervisory data services, taken together, accounted for 37.0% of the net turnover.

In 2016 the revaluation of the investment properties into the actual value resulted in loss of 7 thousand euros, whereas in 2015 it accounted for loss of 18 thousand euros.

Compared to 2015, the profit before taxes in the reporting year has increased by 8 thousand euros, and was 103 thousand euros.

The Company's commercial profitability in 2016 was 9.6%, 1.0% points up if compared to 2015.

### **Future Prospects and Development**

By increasing the operational efficiency of its business, the Company will continue to work on the expansion of its marketed product and service volume.

### **Post-Balance-Sheet Events**

During the period of time in between the closing of the balance sheet and the day the report is being signed by the Board, there have been no significant events or extraordinary circumstances taking place that may influence the results of the reporting year and the Company's financial condition.

### **Branches and Representative Offices Abroad**

The Company has no branch offices, nor any representative offices abroad.

### **Proposals Regarding the Use of the Company's Profit or Losses**

The Board has a proposal to retain the profit of the reporting year and to pay dividends from the profit of the previous years for the amount of 63 366.00 euro, which is 0.15 euro per share.

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Nils Ivars Feodorovs  
*Chairman of the Management  
Board*

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Sarmīte Arcimoviča  
*Member of the Management  
Board*

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Valda Mālniece  
*Member of the Management  
Board, Manager of the  
Financial and Accounting  
department*

20 March 2017

## Profit or loss account

	Note	2016 EUR	2015 EUR
Net sales	3	1 070 645	1 105 143
a) from agricultural activities		1 070 645	1 105 143
Changes in stock of ready-made goods and unfinished products	4	62 397	17 309
Other operating income	5	25 199	15 157
Costs of materials:		(464 083)	(443 564)
a) raw materials and auxiliary costs of materials		(352 790)	(329 681)
b) other external costs		(111 293)	(113 883)
Personnel costs:	6	(456 891)	(460 609)
a) salaries for work		(364 397)	(367 444)
b) state social insurance compulsory contributions		(82 697)	(83 677)
c) other social insurance costs		(9 797)	(9 488)
Depreciation adjustments:		(63 888)	(65 057)
a) depreciation adjustments of fixed and intangible assets		(44 882)	(45 616)
b) depreciation adjustments of current assets which the company considers to be above the normal write-off amounts		(19 006)	(19 441)
Other operating costs	7	(70 826)	(73 722)
Earnings from shareholding:		15	11
a) in capitals of associated companies		15	-
b) in capitals of other companies		-	11
<b>Profit or loss before enterprise income tax</b>		<b>102 568</b>	<b>94 668</b>
Enterprise income tax for the reporting year		(18 254)	(20 111)
<b>Profit or loss after enterprise income tax calculation</b>		<b>84 314</b>	<b>74 557</b>
Revenue or expenses from the changes in the deferred tax assets or liabilities in the balance	22	1 008	1 111
<b>The profit or loss for the year</b>		<b>85 322</b>	<b>75 668</b>
<b>Equity per 1 share (EPS)</b>	19	<b>0,202</b>	<b>0,179</b>

Notes on pages 10 to 23 form an integral part of these financial statements.

Nils Ivars Feodorovs  
*Chairman of the Management  
Board*

Sarmīte Arcimoviča  
*Member of the Management  
Board*

Valda Mālniece  
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Board, Manager of the  
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20 March 2017

## Balance sheet

Assets	Note	2016 EUR	2015 EUR
<b>Long-term investments</b>			
<b>Intangible assets</b>			
Concessions, patents, licenses, trademarks and similar rights		1 332	1 672
<b>Intangible assets total</b>	<b>8</b>	<b>1 332</b>	<b>1 672</b>
<b>Fixed assets (fixed assets, investment properties, biological assets)</b>			
<b>Fixed assets</b>			
Immovable properties - land parcels, buildings and constructions		110 297	125 567
Technological equipment and machinery		9 850	15 636
Other fixed assets and inventory		44 004	41 322
<b>Fixed assets total</b>	<b>9</b>	<b>164 151</b>	<b>182 525</b>
<b>Investment properties</b>	<b>10</b>	<b>87 000</b>	<b>94 000</b>
<b>Biological assets</b>	<b>11</b>	<b>58 786</b>	<b>61 779</b>
<b>Long-term financial investments</b>			
Investments in capital of associated companies	12	84 053	83 954
Other securities and investments	13	683	683
<b>Long-term financial investments total</b>		<b>84 736</b>	<b>84 637</b>
<b>Long-term investments total</b>		<b>396 005</b>	<b>424 613</b>
<b>Current assets</b>			
<b>Stock</b>			
Raw materials, basic materials and auxiliary materials		13 992	19 100
Ready-made goods and goods for sale	14	634 513	587 213
Prepayments for goods		2 439	1 024
<b>Stock total</b>		<b>650 944</b>	<b>607 337</b>
<b>Receivables</b>			
Trade receivables	15	183 308	167 892
Other receivables	16	2 597	7 136
Prepaid expenses	17	10 584	9 566
<b>Receivables total</b>		<b>196 489</b>	<b>184 594</b>
<b>Cash</b>	<b>18</b>	<b>364 575</b>	<b>350 009</b>
<b>Current assets total</b>		<b>1 212 008</b>	<b>1 141 940</b>
<b>Assets total</b>		<b>1 608 013</b>	<b>1 566 553</b>



## Balance sheet

Shareholders' equity and liabilities	Note	2016 EUR	2015 EUR
<b>Shareholders' equity</b>			
Share capital	19	591 416	591 416
Other reserves	20	1 213	1 213
Retained earnings or loss carried forward from previous years		850 185	816 761
Profit or loss of the reporting year		85 322	75 668
<b>Shareholders' equity total</b>		<b>1 528 136</b>	<b>1 485 058</b>
<b>Provisions</b>			
Other provisions	21	-	7 399
<b>Provisions total</b>		<b>-</b>	<b>7 483</b>
<b>Payables</b>			
<b>Long-term payables</b>			
Deferred tax liabilities	22	1 721	2 729
<b>Long-term payables total</b>		<b>1 721</b>	<b>2 729</b>
<b>Short-term payables</b>			
Prepayment received from customers		480	656
Trade payables		19 766	20 388
Taxes and social insurance payments	23	34 523	32 936
Other payables		17 064	17 387
Accrued liabilities	24	6 323	-
<b>Short-term payables total</b>		<b>78 156</b>	<b>71 367</b>
<b>Payables total</b>		<b>79 877</b>	<b>74 096</b>
<b>Shareholders' equity and liabilities total</b>		<b>1 608 013</b>	<b>1 566 553</b>

Notes on pages 10 to 23 form an integral part of these financial statements.

\_\_\_\_\_  
Nils Ivars Feodorovs  
*Chairman of the Management  
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20 March 2017

## Cash flow statement

	Note	2016 EUR	2015 EUR
<b>Cash flow from operating activities</b>			
Income from sale of goods and provision of services		1 275 588	1 304 685
Payments to suppliers, employees, other expenses arising from basic operations		(1 188 117)	(1 210 168)
<b>Gross cash flow from basic operations</b>		<b>87 471</b>	<b>94 517</b>
Expenses for enterprise income tax payments		(14 067)	(37 164)
<b>Net cash flow from operating activities</b>		<b>73 404</b>	<b>57 353</b>
<b>Cash flow from investing activities</b>			
Purchase of capital shares of associated company		(99)	-
Purchase of fixed assets and intangible investments		(26 168)	(25 449)
Income from sale of fixed assets		826	996
Earnings from investment denomination		-	11
Received dividends		15	-
<b>Net cash flow from investing activities</b>		<b>(25 426)</b>	<b>(24 442)</b>
<b>Cash flow from financing activities</b>			
Subsidies received as a state support		9 082	9 262
Dividends paid		(42 244)	(50 693)
The difference of the share value – resulting from the denomination of the Company's shares – paid		-	(8 449)
<b>Net cash flow from financing activities</b>		<b>(33 162)</b>	<b>(49 880)</b>
<b>Result of foreign exchange rate fluctuations</b>		<b>(250)</b>	<b>(162)</b>
<b>Net increase or decrease of cash and its equivalents</b>		<b>14 566</b>	<b>(17 131)</b>
<b>Cash and its equivalents balance at the beginning of the reporting year</b>		<b>350 009</b>	<b>367 140</b>
<b>Cash and its equivalents balance at the end of the reporting year</b>	18	<b>364 575</b>	<b>350 009</b>

Notes on pages 10 to 23 form an integral part of these financial statements.

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20 March 2017

## Statement on changes in shareholders' equity

	Share capital	Other reserves	Retained earnings carried forward from previous years	Profit of the reporting year	Shareholders' equity total
	EUR	EUR	EUR	EUR	EUR
<b>31.12.2014</b>	<b>601 078</b>	-	<b>711 538</b>	<b>155 916</b>	<b>1 468 532</b>
Profit of 2014 transferred to retained earnings of previous years	-	-	155 916	(155 916)	-
Dividends for 2014	-	-	(50 693)	-	(50 693)
The denomination of the Company's shares from lats to euro	(9 662)	1 213	-	-	(8 449)
Profit for the reporting year	-	-	-	75 668	75 668
<b>31.12.2015</b>	<b>591 416</b>	<b>1 213</b>	<b>816 761</b>	<b>75 668</b>	<b>1 485 058</b>
Profit of 2015 transferred to retained earnings of previous years	-	-	75 668	(75 668)	-
Dividends for 2015	-	-	(42 244)	-	(42 244)
Profit of the reporting year	-	-	-	85 322	85 322
<b>31.12.2016</b>	<b>591 416</b>	<b>1 213</b>	<b>850 185</b>	<b>85 322</b>	<b>1 528 136</b>

Notes on pages 10 to 23 form an integral part of these financial statements.

Nils Ivars Feodorovs  
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*Member of the Management Board*

Valda Mālniece  
*Member of the Management Board, Manager of the Financial and Accounting department*

20 March 2017

## **Notes to the Financial Statements**

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### **(1) General information on the Company**

JSC 'Siguldas ciltslietu un mākslīgās apsēklošanas stacija' (hereinafter - the Company) was registered in the Register of Enterprises of the Republic of Latvia on 26 July 1991 and was reregistered in the Commercial Register of the Republic of Latvia on 19 June 2004.

The Company's basic activities are agriculture and the types of business are as follows:

- production and sale of agricultural products – high-quality breeding animals semen,
- making of milk analyses,
- evaluation of cow exterior,
- artificial insemination of cows,
- milk recording data processing,
- animals breeding organization.

### **(2) Significant accounting principles**

#### ***Underlying principles of preparation of the Financial Statements***

The Company's Financial Statements have been prepared according to the Law *On Annual Reports and Consolidated Annual reports* of the Republic of Latvia. The Profit or Loss Account is been prepared based on classification according to expense types. The Cash Flow Statement was prepared according to the direct method.

Complying the regulation stated in Article 13 Part 5 Chapter 2 of the Law *On Annual Reports and Consolidated Annual reports*, the Company acknowledges, assesses, shows in its financial report and provides explicative information on investment properties, biological actives and deferred tax liabilities in compliance with the international accounting standards.

Due to the regulations of the Law *On Annual Reports and Consolidated Annual reports* pertaining to the annual reports which start in January 1, 2016 coming in force, the management of the Company has made amendments to its financial report as follows:

- the classification of the real estate tax in the profit or loss calculation – the real estate expenses have been stated according to their actual nature – as part of the other expenses (instead of position 'Other taxes' as before);
- the classification of other interest income and similar income in the profit or loss calculation – previously classified as other interest income and similar income, now income which has been stated according to its actual nature is shown as part of other operating income;
- the classification of interest payments and similar costs in the profit or loss calculation – previously classified as interest payments and similar costs, now expenses which have been stated according to their actual nature are shown as part of other operating expenses;
- the classification of fixed assets in the balance sheet – positions 'Perennial plantings' and 'Technological equipment and machinery' have been shown as separate positions of fixed assets.

Comparative indicators for the year 2015 have been re-classified in order to ensure the comparability of positions.

## Notes to the Financial Statements

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	2015 After reclassification EUR	Reclassified EUR	2015 Before reclassification EUR
<b>Profit or Loss Account</b>			
Other operating income	15 157	4 899	10 258
Other operating costs	(73 722)	(32 551)	(41 171)
Other interest income and similar income	-	(4 910)	4 910
Earnings from shareholding:	11	11	-
b) in capitals of other companies	11	11	-
Interest payments and similar costs	-	30 697	(30 697)
Profit or loss before enterprise income tax	94 668	(1 854)	96 522
Other taxes	-	1 854	(1 854)
<b>Balance sheet</b>			
Equipment and machinery	-	(46 781)	46 781
Technological equipment and machinery	15 636	15 636	-
Other fixed assets and inventory	41 322	31 145	10 177

### Accounting principles used

The items of the Financial Statements have been evaluated according to the following accounting principles:

- It is assumed that the Company will be a going concern;
- The same evaluation methods have been used, which were used in the previous year;
- Evaluation was done with sufficient prudence:
  - The Financial Statements include solely the profit gained until the balance sheet date,
  - All expected risk amounts and losses have been taken into account, which occurred during the reporting year or in previous years, also if they were known during a certain period of time between the balance sheets date and the day of preparing the Financial Statements,
  - All value decreasing and depreciation amounts have been taken into account irrespective whether the reporting year was closed with profit or loss;
- reporting year related income and costs were recognized irrespective of the payment date and the date of receipt or issuance of invoice. Costs have been agreed with the income in the reporting period;
- components of asset and liabilities items have been recognized separately;
- the opening balance of the reporting year agrees with the closing balance of the previous year;
- all items have been recognized, which materially influence assessment or decision-making process of the users of the annual report, insignificant items are merged and they are detailed in the Appendix;
- operating transactions in the reporting year have been recognized in the Financial Statements by taking into account their economic substance and contents, rather than legal form.

### Financial instruments

#### Fair value of financial assets and liabilities

Fair value of financial assets and liabilities reflect the amount, for which it is possible to exchange assets or perform liabilities in a deal between well informed, interested and financially independent persons. If in the Company's management opinion, fair value of financial assets and liabilities materially differs from the value recognized in the balance sheet, then the fair value of these assets and liabilities is recognized in the Notes to the Financial Statements.

## Notes to the Financial Statements

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### **Financial risks management**

#### *Credit risk*

The Company's management has developed credit policy, which is constantly controlled. Client evaluation is done for all customers above a fixed amount. The Company cooperates with clients who have proper credit assessment.

#### *Currency risk*

Based on the current structure of Company's financial assets and liabilities held in foreign currencies, the currency risk is not material.

### **Reporting period**

The reporting period is twelve months from 1 January to 31 December 2016.

### **Revaluation of foreign currencies**

The Company's functional currency and the currency used in the Financial Statements is euro (EUR) – the sole legal mean of payment in the Republic of Latvia since January 1, 2014. All transactions in foreign currencies are converted into euro according to the euro foreign exchange reference rate published by the European Central Bank on the day of particular transaction being performed.

Monetary assets and liabilities, which are shown in foreign currencies, are converted into euro according to the fixed euro foreign exchange reference rate published by the European Central Bank on the last day of the reporting period.

	31.12.2016	31.12.2015
USD	1.05410	1.08870

Currency exchange rate differences arising from settlements in currencies or when recognizing assets and liabilities by using currency exchange rates, which differ from the initial currency exchange rates used for accounting of transactions, are recognized in the profit or loss account in net value.

### **Recognition of income**

Income is recognized according to the conviction about the Company's possibility to gain economic benefit and in the amount, in which it is possible to state it, less value added tax and sales-related discounts. When recognizing income, also the following provisions are taken into account.

#### *Sale of goods*

Income is recognized when the Company has transferred to the purchaser major risks and indemnities related to the title of goods.

#### *Provision of services*

Income from services is recognized in the period when the services are provided.

#### *Penalty and delay charges*

Income from penalty and delay charges is recognized at the moment of their receipt.

#### *Interest*

Income is recognized according to the respective period of time.

### **Long-term and short-term items**

Long-term items include amounts whose receipt, payments or write-off terms are due later after the end of the respective reporting year. Amounts, which are receivable, payable or written off during the year, are recognized in short-term items.

### **Leasing transactions**

#### *Financial leasing*

In cases when fixed assets are purchased on the conditions of financial leasing and the related risks and return are taken over, these fixed assets are recognized in the value, for which they could be purchased with immediate payment. Leasing interest payments and similar payments are included in the profit or loss account of that period when they occurred.

## **Notes to the Financial Statements**

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### **Intangible assets and fixed assets**

In the balance sheet, all intangible assets and fixed assets are reflected at their purchase prices, less depreciation. Depreciation is calculated from the first date of the next month after their commissioning and finished on the first date of the subsequent month after it is excluded from fixed assets. Depreciation is calculated according to the straight line method and is written off during the useful life time of respective fixed assets by choosing the following annual depreciation rates as fixed by the management:

#### *Intangible assets:*

Licenses	5 years
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#### *Fixed assets:*

Buildings and constructions	10, 20, 25, 40 and 59 years
Equipment and machinery	5, 6 and 7 years
Computer hardware and communication equipment	5 years
Inventory and tools	3 and 5 years
Other fixed assets	2 and 3 years

Balances of fixed assets have been counted in the annual count of fixed assets.

### **Investment properties**

Investment properties – land in possession of the stock company, which market value is expected to grow. Investment properties have been filed according to their purchase value. No later than at the end of the year of account the investments properties are being revalued according to their real market value considering any other activities related to particular property. The revaluation is performed by a certified evaluator. Any changes in the market value of the investments properties are being shown in the profit and loss account.

### **Biological assets**

Biological assets are assets, which are characterized by regeneration and changes in value as a result of growth. The Company in biological assets includes breeding animals – breeding bulls which are kept for getting agricultural products for sale. Biological assets are recognized in the purchase value.

### **Stock**

Stock is recognized in the lowest cost or net sales value. All stock is assessed by using the average weighted method.

Net sales value is the sales price of stock fixed during normal Company's operations, less the stock completion and selling costs. In cases when the stock net selling value is lower than their cost price, provisions are made for these stocks for decrease of their value down to the net sales value.

All direct costs, which are related to production of breeding animals - bull semen, during the year are booked in the profit or loss account and are adjusted at the end of the year when evaluating stocks according to the lowest sales value or cost price and including them in stocks as "Ready-made goods and goods for sale".

### **Trade receivables and other receivables**

In the balance sheet receivables are recognized in the recoverable value, provisions for doubtful and bad receivables having been deducted. Provisions for doubtful and bad debts are made in cases when there is objective evidence to the fact that the Company will not be able to receive the debts in full value according to the initially fixed repayment dates. Provisions for doubtful and bad debts are the difference between the amortized purchase value of receivables and the recoverable value. The recoverable value of receivables is the current value of planned cash flow.

## **Notes to the Financial Statements**

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### **Provisions**

Provisions are recognized when the Company has liabilities (legal or substantial) due to some past event and there is a probability that the performance of these liabilities will require outflow of economic resources from the Company, and the amount of liabilities can be fairly assessed.

### **Corporate income tax**

Corporate income tax for the reporting period consists of the tax calculated for the reporting period and deferred tax. Corporate income tax is recognized in the profit or loss account.

#### *Calculated tax*

The tax calculated for the reporting period has been calculated in compliance with the requirements of the Law "On Corporate Income Tax" by fixing the taxable income and applying the statutory rate of 15%.

#### *Deferred tax*

Deferred corporate income tax is calculated for temporary time differences, which are caused due to differences in the value of assets and liabilities in the financial statements (book-keeping) and its value for tax purposes. The mentioned differences are mainly due to different fixed assets depreciation rates applied in tax and financial accounting, provisions made and losses transferred according to the Company's income tax declaration. Deferred tax is calculated by applying the statutory tax rate 15%.

### **Subsidies**

Amounts, which are received as a state support for agricultural, i.e., for covering of expenses for maintaining high-quality breed bulls, are included in the income of that reporting period when they are received.

### **Use of assumptions**

When preparing the financial statements, the Company's management has to make calculations and assumptions, which impact recognition of assets and liabilities included in the financial statements as at the day of preparing the financial statements, as well as the income and expenses recognized in the specific reporting period. Management has made profit or loss assessment and considers that the financial statements reflect the true financial condition based on all currently available information.



## Notes to the Financial Statements

### (3) Net sales

Sales include income gained during the year from the Company's basic activities – sales of products and provision of services without value added tax and less discounts.

Type of operations	2016 EUR	2015 EUR
Livestock sperm	550 724	569 115
Milk laboratory services	283 413	289 340
Treatment of supervisory data	112 232	117 193
Cow exterior appraisal	931	4 935
Artificial insemination of livestock	42 840	43 806
Other income	80 505	80 754
	<b>1 070 645</b>	<b>1 105 143</b>

Distribution of net sales according to the geographical markets:

	2016 EUR	2015 EUR
Latvia	1 070 645	1 105 143
	<b>1 070 645</b>	<b>1 105 143</b>

### (4) Changes in stock of ready-made goods and unfinished products

	2016 EUR	2015 EUR
Changes in sperm stock value	87 618	47 297
Written-off sperm	(22 228)	(18 292)
Breeding bulls herd value changes	(2 993)	(11 696)
	<b>62 397</b>	<b>17 309</b>

### (5) Other operating income

	2016 EUR	2015 EUR
Revenue from exclusion of fixed assets	826	996
Income from foreign currency exchange rate fluctuations	-	843
State support for agricultural	9 082	9 262
Recovered doubtful and bad debts	13 620	4 056
Other income	1 671	-
	<b>25 199</b>	<b>15 157</b>

## Notes to the Financial Statements

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### (6) Personnel costs

	<b>2016 EUR</b>	<b>2015 EUR</b>
Salaries for work	351 006	354 885
Life insurance with cash value accrual	14 267	12 628
State social insurance contributions	82 897	83 691
Changes in liabilities to personnel for unused vacation	(1 076)	(84)
Health insurance	7 583	7 410
Other costs	2 214	2 079
	<b>456 891</b>	<b>460 609</b>

### (7) Other operating expenses

	<b>2016 EUR</b>	<b>2015 EUR</b>
Insurance payments	4 349	1 966
Business trip expenses	4 509	1 740
Selling expenses	2 007	1 792
The costs of accreditation and employee training	1 305	1 566
The costs of security services	1 280	1 270
Taxes applied on the vehicles	2 222	1 335
Company's management and administrative expenses	11 442	11 768
Regulated securities market expenses	9 633	9 648
Mandatory audit of the annual report	1 600	1 600
Loss from foreign currency exchange rate fluctuations	1 444	-
Loss from investment property revaluation	7 000	18 000
Employees' leisure and similar costs	13 897	12 697
Real estate tax	1 845	1 854
Other costs	8 293	8 486
	<b>70 826</b>	<b>73 722</b>

## Notes to the Financial Statements

### (8) Intangible assets

	Concessions, patents, licenses, trademarks and similar rights EUR	Total EUR
<b>Initial value</b>		
<b>31.12.2015</b>	<b>2 725</b>	<b>2 725</b>
Purchased	-	-
Disposed	-	-
<b>31.12.2016</b>	<b>2 725</b>	<b>2 725</b>
<b>Accrued depreciation adjustments</b>		
<b>31.12.2015</b>	<b>1 053</b>	<b>1 053</b>
Annual write-off of the value	340	340
Adjustments to accrued depreciation of excluded intangible assets	-	-
<b>31.12.2016</b>	<b>1 393</b>	<b>1 393</b>
<b>Book value as at 31.12.2015</b>	<b>1 672</b>	<b>1 672</b>
<b>Book value as at 31.12.2016</b>	<b>1 332</b>	<b>1 332</b>

	Concessions, patents, licenses, trademarks and similar rights EUR	Total EUR
<b>Initial value</b>		
<b>31.12.2014</b>	<b>1 025</b>	<b>1 025</b>
Purchased	1 700	1 700
Disposed	-	-
<b>31.12.2015</b>	<b>2 725</b>	<b>2 725</b>
<b>Accrued depreciation adjustments</b>		
<b>31.12.2014</b>	<b>1 025</b>	<b>1 025</b>
Annual write-off of the value	28	28
Adjustments to accrued depreciation of excluded intangible assets	-	-
<b>31.12.2015</b>	<b>1 053</b>	<b>1 053</b>
<b>Book value as on 31.12.2014</b>	<b>-</b>	<b>-</b>
<b>Book value as on 31.12.2015</b>	<b>1 672</b>	<b>1672</b>

## Notes to the Financial Statements

### (9) Report on movement of fixed assets

	Land, buildings and constructions	Perennial plantings	Technological equipment and machinery	Other fixed assets and inventory	Total
	EUR	EUR	EUR	EUR	EUR
<b>Initial value</b>					
<b>31.12.2015</b>	<b>362 641</b>	<b>15 376</b>	<b>324 376</b>	<b>276 408</b>	<b>978 801</b>
Purchased	-	-	-	26 168	26 168
Dispossessed or liquidated	-	-	-	(7 473)	(7 473)
<b>31.12.2016</b>	<b>362 641</b>	<b>15 376</b>	<b>324 376</b>	<b>295 103</b>	<b>997 496</b>
<b>Accrued depreciation adjustments</b>					
<b>31.12.2015</b>	<b>237 074</b>	<b>15 376</b>	<b>308 740</b>	<b>235 086</b>	<b>796 276</b>
Calculated depreciation	15 270	-	5 786	23 486	44 542
Depreciation of dispossessed or liquidated fixed assets	-	-	-	(7 473)	(7 473)
<b>31.12.2016</b>	<b>252 344</b>	<b>15 376</b>	<b>314 526</b>	<b>251 099</b>	<b>833 345</b>
<b>Book value as on 31.12.2015</b>	<b>125 567</b>	<b>-</b>	<b>15 636</b>	<b>41 322</b>	<b>182 525</b>
<b>Book value as on 31.12.2016</b>	<b>110 297</b>	<b>-</b>	<b>9 850</b>	<b>44 004</b>	<b>164 151</b>

As on 31 December 2016, the cadastral value of **real estate – land and constructions** – was **EUR 158 087**.

	Land, buildings and constructions	Perennial plantings	Technological equipment and machinery	Other fixed assets and inventory	Total
	EUR	EUR	EUR	EUR	EUR
<b>Initial value</b>					
<b>31.12.2014</b>	<b>362 641</b>	<b>15 376</b>	<b>324 376</b>	<b>254 788</b>	<b>957 181</b>
Purchased	-	-	-	23 749	23 749
Dispossessed or liquidated	-	-	-	(2 129)	(2 129)
<b>31.12.2015</b>	<b>362 641</b>	<b>15 376</b>	<b>324 376</b>	<b>276 408</b>	<b>978 801</b>
<b>Accrued depreciation adjustments</b>					
<b>31.12.2014</b>	<b>221 749</b>	<b>15 376</b>	<b>294 048</b>	<b>221 644</b>	<b>752 817</b>
Calculated depreciation	15 325	-	14 692	15 571	45 588
Depreciation of dispossessed or liquidated fixed assets	-	-	-	(2 129)	(2 129)
<b>31.12.2015</b>	<b>237 074</b>	<b>15 376</b>	<b>308 740</b>	<b>235 086</b>	<b>796 276</b>
<b>Book value as on 31.12.2014</b>	<b>140 892</b>	<b>-</b>	<b>30 328</b>	<b>33 144</b>	<b>204 364</b>
<b>Book value as on 31.12.2015</b>	<b>125 567</b>	<b>-</b>	<b>15 636</b>	<b>41 322</b>	<b>182 525</b>

As on 31 December 2015, the cadastral value of **real estate – land and constructions** – was **EUR 158 087**.

## Notes to the Financial Statements

### (10) Investment properties

	Land EUR
<b>Book value as on 31.12.2014</b>	<b>112 000</b>
Increase/decrease of value due to revaluation	(18 000)
<b>Book value as on 31.12.2015</b>	<b>94 000</b>
Increase/decrease of value due to revaluation	(7 000)
<b>Book value as on 31.12.2016</b>	<b>87 000</b>

### (11) Biological assets

	Breeding bulls EUR
<b>Book value as on 31.12.2014</b>	<b>73 475</b>
Purchased	17 308
Dispossessed	(29 004)
<b>Book value as on 31.12.2015</b>	<b>61 779</b>
Purchased	30 678
Dispossessed	(33 671)
<b>Book value as on 31.12.2016</b>	<b>58 786</b>

### (12) Investments in capital of associated companies

	2016	2015
	% from total share capital	% from total share capital
	EUR	EUR
'Animal Breeders Association of Latvia' Ltd. (SIA „Latvijas šķirnes dzīvnieku audzētāju savienība” ) Legal address: Republikas laukums 2, Rīga, LV-1010, Latvia	36,4	36,3
	84 053	83 954
	<b>84 053</b>	<b>83 954</b>

### (13) Other securities and investments

	EUR
Purchase value as on 31.12.2015	683
<b>Book value as on 31.12.2015</b>	<b>683</b>
Purchase value as on 31.12.2016	683
<b>Book value as on 31.12.2016</b>	<b>683</b>

## Notes to the Financial Statements

### (14) Ready-made products and goods for sale

	2016 EUR	2015 EUR
Bull semen	625 570	572 387
Other goods for sale	8 943	14 826
	<b>634 513</b>	<b>587 213</b>

### (15) Trade receivables

	2016 EUR	2015 EUR
Accounting value of trade receivables	219 815	203 555
Provisions for doubtful trade receivables	(36 507)	(35 663)
	<b>183 308</b>	<b>167 892</b>

### (16) Other receivables

	2016 EUR	2015 EUR
VAT for received goods and services	664	531
Overpayment of enterprise income tax	1 918	6 105
Other receivables	15	500
	<b>2 597</b>	<b>7 136</b>

### (17) Prepaid expenses

The item recognizes the costs made during the reporting year, but referring to the next reporting periods.

	2016 EUR	2015 EUR
Advertising costs	454	191
Insurance	8 193	7 219
Press and legislation updates' subscription	1 003	1 207
Server maintenance and similar costs	568	574
Other prepaid expenses	366	375
	<b>10 584</b>	<b>9 566</b>

### (18) Cash in EUR and foreign currencies according to the European Central Bank's foreign exchange reference rates

#### Break-down of cash according to currencies:

		2016		2015	
		Currency	EUR	Currency	EUR
Cash in hand	EUR	-	1 961	-	8 203
Cash in bank	EUR	-	362 614	-	341 806
			<b>364 575</b>		<b>350 009</b>

## Notes to the Financial Statements

### (19) Share capital

Since 21 May 2007 Company's shares are quoted on the Second List of Nasdaq Riga Stock Exchange (ISIN code: LV0000100600). The Company's share capital has been formed of shareholders' investments.

The total number of shares as per 31.12.2016 is 422 440, the nominal value of one share is 1.40 euro.

The total number of shares as per 31.12.2015 was 422 440, the nominal value of one share – 1.40 euro.

	<b>2016 EUR</b>	<b>2015 EUR</b>
Bearer shares with voting rights	590 016	590 016
Shares owned by the Board without voting rights	1 400	1 400
	<b>591 416</b>	<b>591 416</b>

421 440 shares or 99.8% of the share capital are bearer shares, which give equal rights to receive dividends, receipt of liquidation quota and voting rights in the Shareholders' Meeting.

Owners of 421 440 bearer shares according to the latest available full shareholders list requested from the Latvian Central Depository.

	<b>2016 31.10.2016 %</b>	<b>2015 16.04.2015 %</b>
'Siguldas mākslīgās apsēklošanas stacija' Ltd	49.92	49.92
Oļegs Radčenko	5.20	5.18
Swedbank AS Clients account	5.07	2.95
Inita Bedrīte, Chairman of the Supervisory Board	0.26	0.26
Maija Beča, Deputy Chairman of the Supervisory Board	0.73	0.73
Ērika Everte, Member of the Supervisory Board	0.52	0.52
Solvita Arcimoviča, Member of the Supervisory Board	0.10	0.10
Jekaterina Kreise, Member of the Supervisory Board	0.87	0.87
Sarmīte Arcimoviča, Member of the Management Board	0.91	0.91
Valda Mālniece, Member of the Management Board	3.31	3.31
Other shareholders	33.11	35.25
	<b>100.00</b>	<b>100.00</b>

1 000 shares or 0.24% of the share capital, which are not included in the regulated market, are personnel registered shares, which may be obtained only by Members of the Board, and they give equal rights only to receipt of dividend and liquidation quota.

Owners of the Company's personnel registered shares according to the Company's carried shareholders registry.

	<b>31.12.2016 number</b>	<b>31.12.2015 number</b>
Nils Ivars Feodorovs, Chairman of the Management Board	400	400
Sarmīte Arcimoviča, Member of the Management Board	300	300
Valda Mālniece, Member of the Management Board	300	300
	<b>1 000</b>	<b>1 000</b>

There are no share alienation restrictions, nor the necessity to receive the Company's or other shareholders' consent for alienation of shares.

There are no restrictions on voting rights, nor any other similar restrictions.

## Notes to the Financial Statements

### Profit per share

Profit per one share is calculated by dividing the profit of the reporting period with the average weighted number of shares during the year.

	2016 EUR	2015 EUR
Profit of the reporting period	85 322	75 668
Average weighted number of shares during the year	422 440	422 440
	<b>0.202</b>	<b>0.179</b>

### (20) Other Reserves

	2016 EUR	2015 EUR
The difference of the share value resulting from the denomination of the Company's shares from lats to euro	1 213	1 213
	<b>1 213</b>	<b>1 213</b>

### (21) Other Provisions

	2016 EUR	2015 EUR
Provisions for vacations	-	7 399
	<b>-</b>	<b>7 399</b>

### (22) Deferred tax liabilities

	2016 EUR	2015 EUR
Temporary differences in fixed assets depreciation	17 796	25 594
Calculated liabilities to personnel for unused vacation	(6 323)	(7 399)
<b>Total temporary differences</b>	<b>11 473</b>	<b>18 195</b>
<b>Deferred tax liabilities at the beginning of the period</b>	<b>2 729</b>	<b>3 840</b>
Increase or decrease	(1 008)	(1 111)
<b>Deferred tax liabilities at the end of the period</b>	<b>1 721</b>	<b>2 729</b>



## Notes to the Financial Statements

### (23) Taxes and social insurance payments

Tax type	2016 EUR	2015 EUR
Value added tax	12 703	12 394
Personal income tax	8 014	7 338
Social insurance payments	13 742	13 128
Nature resource tax	51	63
Business risk state fee	13	13
	<b>34 523</b>	<b>32 936</b>

Tax overpaid declared in position 'Other receivables'

### (24) Accrued liabilities

	2016 EUR	2015 EUR
Calculated liabilities to personnel for unused vacation	6 323	-
	<b>6 323</b>	<b>-</b>

### (25) Information on the number of management members and remuneration

	2016 EUR	2015 EUR
Remuneration to five Supervisory Board members for execution of functions, including social insurance payments	10 990	10 989
Remuneration to three Management Board members for execution of functions, including social insurance payments	44 810	44 145
<b>Total remuneration to the management members</b>	<b>55 800</b>	<b>55 134</b>

There are no special regulations put in place to regulate the election of the Management Board members, the change of the composition of the Management Board and amendments to the Articles of Association.

All Management Board members have equal Company's representation rights. The chairman of the Management Board represents the Company separately, but other Management Board members may represent the Company only collectively.

There is no agreement signed between the Company and the Management Board members ensuring any kind of compensation.

### (26) Average number of employees

	2016	2015
Supervisory Board members (all employees perform the functions of the Supervisory Board member as an extra work in addition to principal work duties)	4	4
Management Board members (two employees perform the functions of the Management Board member as an extra work in addition to principal work duties)	3	3
Other employees	28	29
<b>Total average number of employees</b>	<b>35</b>	<b>36</b>

## **Report on Management Liability**

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Based on information at the Management Board's possession the Annual Report for 2016 has been prepared according to the effective requirements of legislative enactments and provide a true and fair view of the joint stock company's 'Siguldas ciltslietu un mākslīgās apsēklošanas stacija' assets, liabilities, financial condition and profit, and the management report contains true information.

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Nils Ivars Feodorovs

*Chairman of the Management Board*

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Sarmīte Arcimoviča

*Member of the Management Board, Manager of the Production and Marketing department*

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Valda Mālniece

*Member of the Management Board, Manager of the Financial and Accounting department*

20 March 2017

## Independent Auditor's Report

### To the shareholders of

### AS "Siguldas Ciltslietu un Mākslīgās Apsēklošanas Stacija"

### Our Opinion on the Financial Statements

We have audited the accompanying financial statements of AS "Siguldas Ciltslietu un Mākslīgās Apsēklošanas Stacija" ("the Company") set out on pages 5 to 24 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 AS "Siguldas 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.

#### *Other Matter*

#### *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 4 of the accompanying Annual Report,

- the Statement on Management Responsibility, as set out on page 24 of the accompanying Annual Report,
- the Statement of Corporate Governance, as set out on pages 3 to 20 of the accompanying Annual Report.

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.

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

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, and third paragraph 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, and third paragraph 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.

The responsible certified auditor on the audit resulting in this independent auditors' report is Vija Dzene.

Vija Dzene



Rīga

20.03.2017.