



**Joint stock company  
SIGULDAS CILTS LIETU UN  
MĀKSLĪGĀS APSEKĻOŠANAS  
STACIJA**

**ANNUAL REPORT  
for 2011**

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## ***Information on the Company***

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Company's name	<i>SIGULDAS CILTS LIETU UN MĀKSLĪGĀS APSĒKĻOŠANAS STACIJA</i>
Company's legal status	<i>Joint stock company</i>
Registration number, place and date	<i>40003013295, Riga, 26 July 1991</i> <i>Registration in the Commercial Register on 19 June 2004</i>
Legal address	<i>„Kalnabeites”8, Sigulda parish, Sigulda area, LV-2150</i>
Shareholders holding more than 5% of the total number of voting shares	<i>SIA „Siguldas mākslīgās apsēkļošanas stacija” (49.8%), registration No. 40003311954</i>
Members of the Board	<i>Nils Ivars Feodorovs, Chairman of the Board, holding 400 shares</i> <i>Sarmīte Arcimoviča, Member of the Board, holding 4 124 shares</i> <i>Valda Mālniece, Member of the Board, holding 14 260 shares</i>
Members of the Council	<i>Inīta Bedrīte, Chairman of the Council, holding 1 084 shares</i> <i>Maija Beča, Deputy Chairman of the Council, holding 3 066 shares</i> <i>Ērika Everte, Member of the Council, holding 2 208 shares</i> <i>Solvīta Arcimoviča, Member of the Council, holding 430 shares</i> <i>Renīa Beķere, Member of the Council until 27.04.2011, holding 4 136 shares</i> <i>Jekaterina Kreise, Member of the Council from 27.04.2011, holding 3 683 shares</i>
Reporting year	<i>01.01.2011 – 31.12.2011</i>
Auditors	<i>Anita Sondore</i> <i>Sworn Auditor</i> <i>Certificate No. 129</i>  <i>AUDITS A.S., SIA</i> <i>„Pīlādži”, Līgatne parish,</i> <i>Līgatne area, LV-4108, Latvia</i> <i>Sworn Auditors' Commercial Company's license No. 27</i>

## **Management Report**

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### **Type of Operations**

JSC „Siguldas ciltslietu un mākslīgās apsēklošanas stacija” (hereinafter referred to as the Company) is one of the largest high-quality breeding animals’ semen producers and suppliers in Latvia. The second largest Company’s basic area of business is making of milk analyses. In addition, the Company performs other related services – evaluation of cow exterior, artificial insemination of cows, immune-genetic investigation of origin for cattle, milk recording data processing.

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

The Company’s net turnover in 2011 was 783 thousand lats (1 115 thousand euro), which is by 33 thousand lats (47 thousand euro) or 4.4% more than in 2010. The increase of the net turnover was mainly due to the sales growth.

Compared to 2010, the profit before taxes for the year of account has increased by 35 thousand lats (50 thousand euro) comprising 80 thousand lats (113 thousand euro). In 2010 the revaluation of the investment properties into the real value resulted in loss of 25 thousand lats (36 thousand euro), however in 2011 the value of the investment properties didn’t change.

The Company’s commercial profitability in 2011 was 10.2% comprising an increase of 4.3% points against the 2010 year’s profitability.

There have been following major long term investments in the year of account – the Company has purchased slightly used milk analyzer COMBIFOSS and two brand new trucks for delivering of goods to clients.

### **Future Prospects and Further Development**

By increasing the Company’s operational efficiency, the Company will continue to work in order to expand the scope of its products and the range of provided services.

### **Post-balance Sheet Events**

During the time after the closing of the balance sheet and the day of signing this Report there were no major events or extraordinary conditions, which influence the result for the year and the Company’s financial condition.

### **Branches and representative offices abroad**

The Company has no branches, nor 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 42 244 lats (60 108 euro), which is 0.10 lats (0.14 euro) per share.

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Nils Ivars Feodorovs  
*Chairman of the Board*

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Sarmīte Arcimoviča  
*Member of the Board*

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Valda Mālniece  
*Member of the Board*

11 April 2012

***Profit or loss account for the period ended 31 December 2011***

	Note	2011 LVL	2010 LVL	2011 EUR	2010 EUR
Net sales	3	783 406	750 571	1 114 687	1 067 967
Changes in stock of ready-made goods and unfinished products	4	7 425	30 116	10 565	42 852
Other operating income	5	17 092	11 931	24 320	16 976
Costs of materials:		(346 100)	(287 708)	(492 456)	(409 372)
a) raw materials and auxiliary costs of materials		(268 773)	(221 974)	(382 430)	(315 842)
b) other external costs		(77 327)	(65 734)	(110 026)	(93 530)
Personnel costs:	6	(306 769)	(332 609)	(436 493)	(473 261)
a) salaries for work		(241 543)	(261 749)	(343 684)	(372 436)
b) state social insurance compulsory contributions		(57 630)	(62 467)	(82 001)	(88 882)
c) other social insurance costs		(7 596)	(8 393)	(10 808)	(11 943)
Write-off of assets and values:		(43 582)	(72 824)	(62 012)	(103 619)
a) depreciation of fixed assets and amortization of intangible assets		(40 778)	(65 725)	(58 022)	(93 518)
b) write-off of value of current assets above the normal deductions		(2 804)	(7 099)	(3 990)	(10 101)
Other operating costs	7	(27 346)	(27 121)	(38 910)	(38 589)
Other interest income and similar income	8	3 252	5 134	4 627	7 305
Interest payments and similar costs	9	(7 765)	(32 887)	(11 049)	(46 794)
<b>Profit or losses before taxes</b>		<b>79 613</b>	<b>44 603</b>	<b>113 279</b>	<b>63 465</b>
Enterprise income tax for the reporting year		(8 584)	(13 338)	(12 214)	(18 978)
Deferred tax	24	(2 007)	4 394	(2 856)	6 252
Other taxes	10	(1 111)	(1 107)	(1 581)	(1 575)
<b>The profit or loss for the year</b>		<b>67 911</b>	<b>34 552</b>	<b>96 628</b>	<b>49 164</b>
<b>Equity per 1 share (EPS)</b>	22	<b>0.161</b>	<b>0.082</b>	<b>0.229</b>	<b>0.116</b>

Notes on pages 10 to 22 form an integral part of these financial statements.

Nils Ivars Feodorovs  
*Chairman of the Board*

Sarmīte Arcimoviča  
*Member of the Board*

Valda Mālniece  
*Member of the Board*

11 April 2012

## ***Balance sheet as at 31 December 2011***

Assets	Note	2011 LVL	2010 LVL	2011 EUR	2010 EUR
<b>Long-term investments</b>					
<b>Fixed assets</b>					
Land parcels, buildings and constructions and perennial plantings		125 463	141 046	178 517	200 691
Equipment and machinery		61 091	21 272	86 925	30 267
Other fixed assets and inventory		5 989	10 863	8 522	15 456
<b>Fixed assets total</b>	12	<b>192 543</b>	<b>173 181</b>	<b>273 964</b>	<b>246 414</b>
<b>Investment properties</b>	13	<b>95 000</b>	<b>95 000</b>	<b>135 173</b>	<b>135 173</b>
<b>Biological assets</b>		<b>49 617</b>	<b>46 969</b>	<b>70 598</b>	<b>66 831</b>
<b>Long-term financial investments</b>					
Investments in capital of associated companies	14	56 603	47 372	80 539	67 404
Other securities and investments	15	480	480	683	683
<b>Long-term financial investments total</b>		<b>57 083</b>	<b>47 852</b>	<b>81 222</b>	<b>68 087</b>
<b>Long-term investments total</b>		<b>394 243</b>	<b>363 002</b>	<b>560 957</b>	<b>516 505</b>
<b>Current assets</b>					
<b>Stock</b>					
Raw materials, basic materials and auxiliary materials		9 025	12 874	12 842	18 318
Ready-made goods and goods for sale	16	331 628	311 642	471 864	443 426
Prepayments for goods		172	2 000	245	2 846
<b>Stock total</b>		<b>340 825</b>	<b>326 516</b>	<b>484 951</b>	<b>464 590</b>
<b>Receivables</b>					
Trade receivables	17	95 473	67 924	135 846	96 647
Other receivables	18	6 873	1 877	9 779	2 671
Prepaid expenses	19	5 701	5 561	8 111	7 913
<b>Receivables total</b>		<b>108 047</b>	<b>75 362</b>	<b>153 736</b>	<b>107 231</b>
<b>Short-term financial investments</b>					
Other securities and shareholding in capitals	20	21 688	21 552	30 860	30 666
<b>Short-term financial investments total</b>		<b>21 688</b>	<b>21 552</b>	<b>30 860</b>	<b>30 666</b>
<b>Cash</b>	21	<b>155 007</b>	<b>208 220</b>	<b>220 555</b>	<b>296 270</b>
<b>Current assets total</b>		<b>625 567</b>	<b>631 650</b>	<b>890 102</b>	<b>898 757</b>
<b>Assets total</b>		<b>1 019 810</b>	<b>994 652</b>	<b>1 451 059</b>	<b>1 415 262</b>

## ***Balance sheet as at 31 December 2011***

<b>Shareholders' equity and liabilities</b>	<b>Note</b>	<b>2011 LVL</b>	<b>2010 LVL</b>	<b>2011 EUR</b>	<b>2010 EUR</b>
<b>Shareholders' equity</b>					
Share capital	22	422 440	422 440	601 078	601 078
Retained earnings:					
Retained earnings carried forward from previous years		451 471	454 939	642 386	647 320
Retained earnings of the reporting year		67 911	34 552	96 628	49 164
<b>Shareholders' equity total</b>		<b>941 822</b>	<b>911 931</b>	<b>1 340 092</b>	<b>1 297 562</b>
<b>Provisions</b>					
Other provisions	23	8 823	16 908	12 555	24 058
<b>Provisions total</b>		<b>8 823</b>	<b>16 908</b>	<b>12 555</b>	<b>24 058</b>
<b>Payables</b>					
<b>Long-term payables</b>					
Deferred tax liabilities	24	3 325	1 318	4 731	1 875
<b>Long-term payables total</b>		<b>3 325</b>	<b>1 318</b>	<b>4 731</b>	<b>1 875</b>
<b>Short-term payables</b>					
Prepayment received from customers		899	6 238	1 278	8 876
Trade payables		36 300	19 374	51 651	27 566
Taxes and social insurance payments	25	19 472	26 604	27 706	37 854
Other payables		9 169	12 279	13 046	17 471
<b>Short-term payables total</b>		<b>65 840</b>	<b>64 495</b>	<b>93 681</b>	<b>91 767</b>
<b>Payables total</b>		<b>69 165</b>	<b>65 813</b>	<b>98 412</b>	<b>93 642</b>
<b>Shareholders' equity and liabilities total</b>		<b>1 019 810</b>	<b>994 652</b>	<b>1 451 059</b>	<b>1 415 262</b>

Notes on pages 10 to 22 form an integral part of these financial statements.

Nils Ivars Feodorovs  
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Valda Mālniece  
*Member of the Board*

11 April 2012

## Cash flow statement for the period ended 31 December 2011

	Note	2011 LVL	2010 LVL	2011 EUR	2010 EUR
<b>Cash flow from operating activities</b>					
Income from sale of goods and provision of services		933 193	936 767	1 327 814	1 332 899
Payments to suppliers, employees, other expenses arising from basic operations		(880 621)	(821 842)	(1 253 011)	(1 169 376)
Other Company's basic income or expenses		-	1 430	-	2 035
<b>Gross cash flow from basic operations</b>		<b>52 572</b>	<b>116 355</b>	<b>74 803</b>	<b>165 558</b>
Expenses for enterprise income tax payments		(15 020)	(5 300)	(21 372)	(7 541)
<i>Net cash flow from operating activities</i>		<b>37 552</b>	<b>111 055</b>	<b>53 431</b>	<b>158 017</b>
<b>Cash flow from investing activities</b>					
Purchase of capital shares of associated company		(9 231)	(44 371)	(13 135)	(63 134)
Purchase of fixed assets and intangible investments		(75 707)	(5 101)	(107 721)	(7 258)
Income from exclusion of fixed assets		25 729	-	36 609	-
Dividends received		1 593	1 360	2 267	1 935
<i>Net cash flow from investing activities</i>		<b>(57 616)</b>	<b>(48 112)</b>	<b>(81 980)</b>	<b>(68 457)</b>
<b>Cash flow from financing activities</b>					
Subsidies received as a state support		6 928	11 931	9 858	16 976
Dividends paid		(38 020)	(33 795)	(54 098)	(48 086)
<i>Net cash flow from financing activities</i>		<b>(31 092)</b>	<b>(21 864)</b>	<b>(44 240)</b>	<b>(31 110)</b>
<b>Result of foreign exchange rate fluctuations</b>		<b>(2 057)</b>	<b>(975)</b>	<b>(2 926)</b>	<b>(1 388)</b>
<b>Increase/ decrease of cash and its equivalents</b>		<b>(53 213)</b>	<b>40 104</b>	<b>(75 715)</b>	<b>57 062</b>
<b>Cash and its equivalents at the beginning of the period</b>		<b>208 220</b>	<b>168 116</b>	<b>296 270</b>	<b>239 208</b>
<b>Cash and its equivalents at the end of the period</b>	21	<b>155 007</b>	<b>208 220</b>	<b>220 555</b>	<b>296 270</b>

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11 April 2012



**Statement on changes in shareholders' equity for the period ending  
31 December 2011**

	Share capital	Retained earnings carried forward from previous years	Retained earnings for the reporting year	Shareholders' equity total
	LVL	LVL	LVL	LVL
<b>31.12.2009</b>	<b>422 440</b>	<b>359 638</b>	<b>129 096</b>	<b>911 174</b>
Profit for 2009 transferred to retained earnings of previous years	-	129 096	(129 096)	-
Dividends for 2009	-	(33 795)	-	(33 795)
Retained earnings for the reporting year	-	-	34 552	34 552
<b>31.12.2010</b>	<b>422 440</b>	<b>454 939</b>	<b>34 552</b>	<b>911 931</b>
Profit for 2010 transferred to retained earnings of previous years	-	34 552	(34 552)	-
Dividends for 2010	-	(38 020)	-	(38 020)
Retained earnings for the reporting year	-	-	67 911	67 911
<b>31.12.2011</b>	<b>422 440</b>	<b>451 471</b>	<b>67 911</b>	<b>941 822</b>

	Share capital	Retained earnings carried forward from previous years	Retained earnings for the reporting year	Shareholders' equity total
	EUR	EUR	EUR	EUR
<b>31.12.2009</b>	<b>601 078</b>	<b>511 719</b>	<b>183 687</b>	<b>1 296 484</b>
Profit for 2009 transferred to retained earnings of previous years	-	183 687	(183 687)	-
Dividends for 2009	-	(48 086)	-	(48 086)
Retained earnings for the reporting year	-	-	49 164	49 164
<b>31.12.2010</b>	<b>601 078</b>	<b>647 320</b>	<b>49 164</b>	<b>1 297 562</b>
Profit for 2010 transferred to retained earnings of previous years	-	49 164	(49 164)	-
Dividends for 2010	-	(54 098)	-	(54 098)
Retained earnings for the reporting year	-	-	96 628	96 628
<b>31.12.2011</b>	<b>601 078</b>	<b>642 386</b>	<b>96 628</b>	<b>1 340 092</b>

Notes on pages 10 to 22 form an integral part of these financial statements.

Nils Ivars Feodorovs  
*Chairman of the Board*

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11 April 2012

## ***Notes to the Financial Statements***

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

AS „Siguldas ciltslīetu un mākslīgās apsēkļošanas 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,
- inspection of immune-genetic origin of cattle,
- 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* of the Republic of Latvia. The Profit or Loss Account was prepared based on the period costs method. The Cash Flow Statement was prepared according to the direct method.

#### ***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 12 months from 1 January to 31 December 2011.

### ***Revaluation of foreign currencies***

The Company's functional currency and the currency used in the Financial Statements is the Republic of Latvia national currency Lat (LVL). All transactions in foreign currencies are translated to Lats according to the exchange rate set by the Central Bank of Latvia on the day of making the respective transaction.

Monetary assets and liabilities, which are expressed in foreign currency, are translated to Lats to the exchange rate set by the Central Bank of Latvia on the last day of the reporting year.

	<b>31.12.2011</b>	<b>31.12.2010</b>
EUR	0.702804	0.702804
USD	0.544	0.535

Currency exchange rate differences arising from settlements in currencies or when recognizing assets and liabilities 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.

## ***Notes to the Financial Statements***

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### ***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.

### ***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	20 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 on 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. 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 – 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”.

## ***Notes to the Financial Statements***

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

Receivables are recognized in the balance sheet in the amortized value, less provisions for doubtful and bad debts. 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.

### ***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	2011 LVL	2010 LVL	2011 EUR	2010 EUR
Livestock sperm	389 609	372 924	554 364	530 623
Milk laboratory services	197 133	192 119	280 495	273 361
Treatment of supervisory data	74 654	67 490	106 223	96 030
Cow exterior appraisal	17 588	26 089	25 026	37 121
Artificial insemination of livestock	25 777	24 123	36 677	34 324
Immune-genetic laboratory services	14 630	13 737	20 817	19 546
Other income	64 015	54 089	91 085	76 962
	<b>783 406</b>	<b>750 571</b>	<b>1 114 687</b>	<b>1 067 967</b>

Distribution of net sales according to the geographical markets:

	2011 LVL	2010 LVL	2011 EUR	2010 EUR
Latvia	783 406	750 571	1 114 687	1 067 967
	<b>783 406</b>	<b>750 571</b>	<b>1 114 687</b>	<b>1 067 967</b>

Earnings from agricultural activities represented in net sales:

	2011 LVL	2010 LVL	2011 EUR	2010 EUR
Earnings from agricultural activities	783 406	750 571	1 114 687	1 067 967
	<b>783 406</b>	<b>750 571</b>	<b>1 114 687</b>	<b>1 067 967</b>

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

	2011 LVL	2010 LVL	2011 EUR	2010 EUR
Changes in sperm stock value	23 638	24 126	33 634	34 329
Written-off sperm	(18 861)	(250)	(26 837)	(356)
Changes in stud bull herd value	2 648	6 240	3 768	8 879
	<b>7 425</b>	<b>30 116</b>	<b>10 565</b>	<b>42 852</b>

### (5) Other operating income

	2011 LVL	2010 LVL	2011 EUR	2010 EUR
Revenue from exclusion of fixed assets	6 559	-	9 333	-
State support for agricultural	6 928	11 931	9 858	16 976
Insurance reimbursement	3 605	-	5 129	-
	<b>17 092</b>	<b>11 931</b>	<b>24 320</b>	<b>16 976</b>

## Notes to the Financial Statements

### (6) Personnel costs

	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>LVL</b>	<b>LVL</b>	<b>EUR</b>	<b>EUR</b>
Salaries for work	247 687	265 636	352 426	377 966
State social insurance contributions	59 143	63 473	84 153	90 313
Changes in provisions for vacation reserve	(8 085)	(4 893)	(11 503)	(6 961)
Health insurance	5 851	7 176	8 325	10 211
Life insurance with cash value accrual	428	-	609	-
Other costs	1 745	1 217	2 483	1 732
	<b>306 769</b>	<b>332 609</b>	<b>436 493</b>	<b>473 261</b>

### (7) Other operating expenses

	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>LVL</b>	<b>LVL</b>	<b>EUR</b>	<b>EUR</b>
Insurance payments	1 335	745	1 899	1 060
Business trip expenses	1 754	1 367	2 496	1 946
Selling expenses	2 247	2 119	3 198	3 015
Company's management and administrative expenses	14 489	15 869	20 615	22 579
Audit of the financial statement	1 400	1 500	1 992	2 134
Other costs	6 121	5 521	8 710	7 855
	<b>27 346</b>	<b>27 121</b>	<b>38 910</b>	<b>38 589</b>

### (8) Other interest income and similar income

	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>LVL</b>	<b>LVL</b>	<b>EUR</b>	<b>EUR</b>
Income from shareholding in the company capitals	1 593	1 360	2 267	1 935
Income from securities	136	452	194	643
Interest income	-	1 431	-	2 036
Contractual penalties from clients	-	137	-	195
Recovered doubtful and bad debts	1 513	1 463	2 152	2 082
Other income	10	291	14	414
	<b>3 252</b>	<b>5 134</b>	<b>4 627</b>	<b>7 305</b>

## Notes to the Financial Statements

### (9) Interest payments and similar costs

	2011 LVL	2010 LVL	2011 EUR	2010 EUR
Losses from foreign currency exchange rate fluctuations	1 460	1 342	2 078	1 909
Losses from investment property revaluation	-	25 000	-	35 572
Contractual penalties and fines	10	11	14	16
Employees' leisure and other costs not connected with operating activities	6 295	6 534	8 957	9 297
	<b>7 765</b>	<b>32 887</b>	<b>11 049</b>	<b>46 794</b>

### (10) Other taxes

	2011 LVL	2010 LVL	2011 EUR	2010 EUR
Real estate tax	1 111	1 107	1 581	1 575
	<b>1 111</b>	<b>1 107</b>	<b>1 581</b>	<b>1 575</b>

### (11) Intangible assets

	Concessions, patents, licenses, trade marks and similar rights		Concessions, patents, licenses, trade marks and similar rights	
	Total	Total	Total	Total
	LVL	LVL	EUR	EUR
<b>Initial value</b>				
<b>31.12.2010</b>	<b>720</b>	<b>720</b>	<b>1 024</b>	<b>1 024</b>
Purchased	-	-	-	-
Disposed	-	-	-	-
<b>31.12.2011</b>	<b>720</b>	<b>720</b>	<b>1 024</b>	<b>1 024</b>
<b>Accrued depreciation</b>				
<b>31.12.2010</b>	<b>718</b>	<b>718</b>	<b>1 022</b>	<b>1 022</b>
Calculated depreciation	-	-	-	-
Depreciation of excluded investments	-	-	-	-
<b>31.12.2011</b>	<b>720</b>	<b>720</b>	<b>1 024</b>	<b>1 024</b>
<b>Book value as at 31.12.2010</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Book value as at 31.12.2011</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



## Notes to the Financial Statements

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

	Land, buildings and constructions	Technological equipment and machinery	Other fixed assets	Total
	LVL	LVL	LVL	LVL
<b>Initial value</b>				
<b>31.12.2010</b>	<b>255 107</b>	<b>359 809</b>	<b>85 905</b>	<b>700 821</b>
Purchased	-	74 662	1 045	75 707
Disposed	-	(51 295)	(3 282)	(54 577)
<b>31.12.2011</b>	<b>255 107</b>	<b>383 176</b>	<b>83 668</b>	<b>721 951</b>
<b>Accrued depreciation</b>				
<b>31.12.2010</b>	<b>114 061</b>	<b>338 537</b>	<b>75 042</b>	<b>527 640</b>
Calculated depreciation	15 583	19 313	5 882	40 778
Depreciation of excluded fixed assets	-	(35 765)	(3 245)	(39 010)
<b>31.12.2011</b>	<b>129 644</b>	<b>322 085</b>	<b>77 679</b>	<b>529 408</b>
<b>Book value as at 31.12.2010</b>	<b>141 046</b>	<b>21 272</b>	<b>10 863</b>	<b>173 181</b>
<b>Book value as at 31.12.2011</b>	<b>125 463</b>	<b>61 091</b>	<b>5 989</b>	<b>192 543</b>

As at 31 December 2010, the cadastral value of **real estate – land and constructions** - was LVL 113 853

As at 31 December 2011, the cadastral value of **real estate – land and constructions** - was LVL 110 291

	Land, buildings and constructions	Technological equipment and machinery	Other fixed assets	Total
	EUR	EUR	EUR	EUR
<b>Initial value</b>				
<b>31.12.2010</b>	<b>362 985</b>	<b>511 962</b>	<b>122 232</b>	<b>997 179</b>
Purchased	-	106 234	1 487	107 721
Disposed	-	(72 986)	(4 670)	(77 656)
<b>31.12.2011</b>	<b>362 985</b>	<b>545 210</b>	<b>119 049</b>	<b>1 027 244</b>
<b>Accrued depreciation</b>				
<b>31.12.2010</b>	<b>162 294</b>	<b>481 695</b>	<b>106 776</b>	<b>750 765</b>
Calculated depreciation	22 174	27 480	8 368	58 022
Depreciation of excluded fixed assets	-	(50 890)	(4 617)	(55 507)
<b>31.12.2011</b>	<b>184 468</b>	<b>458 285</b>	<b>110 527</b>	<b>753 280</b>
<b>Book value as at 31.12.2010</b>	<b>200 691</b>	<b>30 267</b>	<b>15 456</b>	<b>246 414</b>
<b>Book value as at 31.12.2011</b>	<b>178 517</b>	<b>86 925</b>	<b>8 522</b>	<b>273 964</b>

As at 31 December 2010, the cadastral value of **real estate – land and constructions** - was EUR 161 998

As at 31 December 2011, the cadastral value of **real estate – land and constructions** - was EUR 156 930

## Notes to the Financial Statements

### (13) Investment properties

	Land	Total	Land	Total
	LVL	LVL	EUR	EUR
<b>Book value as at 31.12.2009</b>	<b>120 000</b>	<b>120 000</b>	<b>170 745</b>	<b>170 745</b>
Increase/decrease of value due to revaluation	(25 000)	(25 000)	(35 572)	(35 572)
<b>Book value as at 31.12.2010</b>	<b>95 000</b>	<b>95 000</b>	<b>135 173</b>	<b>135 173</b>
Increase/decrease of value due to revaluation	-	-	-	-
<b>Book value as at 31.12.2011</b>	<b>95 000</b>	<b>95 000</b>	<b>135 173</b>	<b>135 173</b>

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

	2011		2010			
	% from total share capital		% from total share capital			
		LVL	EUR	LVL	EUR	
Ltd “Animal Breeders Association of Latvia” (SIA „Latvijas šķirnes dzīvnieku audzētāju savienība” ) Legal address: Republikas laukums 2, Rīga, LV-1010, Latvia	34.3	56 603	80 539	26.6	47 372	67 404
		<b>56 603</b>	<b>80 539</b>		<b>47 372</b>	<b>67 404</b>

### (15) Other securities and investments

	LVL	EUR
Purchase value as at 31.12.2010	480	683
<b>Book value as at 31.12.2010</b>	<b>480</b>	<b>683</b>
Purchase value as at 31.12.2011	480	683
<b>Book value as at 31.12.2011</b>	<b>480</b>	<b>683</b>

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

	2011	2010	2011	2010
	LVL	LVL	EUR	EUR
Bull semen	323 514	304 816	460 319	433 714
Other goods for sale	8 114	6 826	11 545	9 712
	<b>331 628</b>	<b>311 642</b>	<b>471 864</b>	<b>443 426</b>

### (17) Trade receivables

	2011	2010	2011	2010
	LVL	LVL	EUR	EUR
Accounting value of trade receivables	99 019	74 540	140 891	106 061
Provisions for doubtful trade receivables	(3 546)	(6 616)	(5 045)	(9 414)
	<b>95 473</b>	<b>67 924</b>	<b>135 846</b>	<b>96 647</b>

## Notes to the Financial Statements

### (18) Other receivables

	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>LVL</b>	<b>LVL</b>	<b>EUR</b>	<b>EUR</b>
VAT for received goods and services	1 203	1 283	1 711	1 826
Overpayment of taxes	5 088	-	7 240	-
Other receivables	582	594	828	845
	<b>6 873</b>	<b>1 877</b>	<b>9 779</b>	<b>2 671</b>

### (19) Prepaid expenses

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

	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>LVL</b>	<b>LVL</b>	<b>EUR</b>	<b>EUR</b>
Advertising costs	392	451	558	642
Insurance	3 877	3 660	5 516	5 208
Press subscription	339	385	482	548
Other prepaid expenses	1 093	1 065	1 555	1 515
	<b>5 701</b>	<b>5 561</b>	<b>8 111</b>	<b>7 913</b>

### (20) Other securities and shareholding in capitals

	<b>Number</b>	<b>2011</b>		<b>Number</b>	<b>2010</b>	
		<b>Market price</b>	<b>Amount LVL</b>		<b>Market price</b>	<b>Amount LVL</b>
SEB Lats reserve fund	15 044	1.44164	21 688	15 044	1.43257	21 552
			<b>21 688</b>			<b>21 552</b>

  

	<b>Number</b>	<b>2011</b>		<b>Number</b>	<b>2010</b>	
		<b>Market price</b>	<b>Amount EUR</b>		<b>Market price</b>	<b>Amount EUR</b>
SEB Lats reserve fund	15 044	2.05127	30 860	15 044	2.03836	30 666
			<b>30 860</b>			<b>30 666</b>

Money market fund shares have no guaranteed interest rate. In 2011, the profitability was about 0.63 %. Exclusion of money market fund shares is carried out at the Company's request.

## Notes to the Financial Statements

### (21) Cash in LVL and foreign currencies according to the LCB exchange rate

Break-down of cash according to currencies:	2011		2010	
	Currency	LVL	Currency	LVL
Cash in hand	LVL	- 3 775	-	1 714
Cash in bank	LVL	- 150 384	-	204 883
Cash in bank	EUR	1 206 848	2 310	1 623
		<b>155 007</b>		<b>208 220</b>

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

Break-down of cash according to currencies:	2011		2010	
	Currency	EUR	Currency	EUR
Cash in hand	LVL	3 775 5 372	1 714	2 439
Cash in bank	LVL	150 384 213 977	204 883	291 521
Cash in bank	EUR	- 1 206	-	2 310
		<b>220 555</b>		<b>296 270</b>

### (22) Share capital

The Company's shares are quoted on NASDAQ OMX Riga Stock Exchange's second listing. The Company's share capital consists of shareholders' investments. The total number of shares is 422 440, the nominal value per share is 1 Lat.

	2011 LVL	2010 LVL	2011 EUR	2010 EUR
Ordinary common shares with voting rights	421 440	421 440	599 655	599 655
Shares owned by the Board without voting rights	1 000	1 000	1 423	1 423
	<b>422 440</b>	<b>422 440</b>	<b>601 078</b>	<b>601 078</b>

421440 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.

1000 shares or 0.2% 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.

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.

### 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.

	2011 LVL	2010 LVL	2011 EUR	2010 EUR
Profit of the reporting period	67 911	34 552	96 628	49 164
Average weighted number of shares during the year	422 440	422 440	422 440	422 440
	<b>0.161</b>	<b>0.082</b>	<b>0.229</b>	<b>0.116</b>

## Notes to the Financial Statements

### (23) Other Provisions

	2011 LVL	2010 LVL	2011 EUR	2010 EUR
Provisions for vacations	8 823	16 908	12 555	24 058
	<b>8 823</b>	<b>16 908</b>	<b>12 555</b>	<b>24 058</b>

### (24) Provisions for deferred tax

	2011 LVL	2010 LVL	2011 EUR	2010 EUR
Temporary differences in fixed assets depreciation	30 992	25 694	44 098	36 559
Provisions for vacations	(8 823)	(16 908)	(12 555)	(24 058)
<b>Total temporary differences</b>	<b>22 169</b>	<b>8 786</b>	<b>31 543</b>	<b>12 501</b>
<b>Deferred tax provisions at the beginning of the period</b>	<b>1 318</b>	<b>5 712</b>	<b>1 875</b>	<b>8 127</b>
Increase or decrease	2 007	(4 394)	2 856	(6 252)
<b>Deferred tax provisions at the end of the period</b>	<b>3 325</b>	<b>1 318</b>	<b>4 731</b>	<b>1 875</b>

### (25) Taxes and social insurance payments

Tax type	Balance as at 31.12.2010 LVL	Calculated in 2011 LVL	Paid in 2011 LVL	Balance as at 31.12.2011 LVL
Corporate income tax	1 348	8 584	(15 020)	(5 088)
Value added tax	9 321	103 052	(107 342)	5 031
Social insurance contributions	9 414	88 022	(88 419)	9 017
Personal income tax	6 482	50 936	(52 036)	5 382
Real estate tax	-	1 111	(1 111)	-
Nature resource tax	28	123	(118)	33
Business risk duty	11	115	(117)	9
	<b>26 604</b>	<b>251 943</b>	<b>(264 163)</b>	<b>14 384</b>
<b>Including:</b>	<b>2010 LVL</b>			<b>2011 LVL</b>
Tax overpaid	-			(5 088)
Tax due	26 604			19 472

## Notes to the Financial Statements

Tax type	Balance as at 31.12.2010 EUR	Calculated in 2011 EUR	Paid in 2011 EUR	Balance as at 31.12.2011 EUR
Corporate income tax	1 918	12 214	(21 372)	(7 240)
Value added tax	13 262	146 630	(152 734)	7 158
Social insurance contributions	13 395	125 244	(125 809)	12 830
Personal income tax	9 223	72 475	(74 040)	7 658
Real estate tax	-	1 581	(1 581)	-
Nature resource tax	40	175	(168)	47
Business risk duty	16	164	(167)	13
	<b>37 854</b>	<b>358 483</b>	<b>(375 871)</b>	<b>20 466</b>

Including:	2010 EUR	2011 EUR
Tax overpaid	-	(7 240)
Tax due	37 854	27 706
Tax overpaid declared in position “Other receivables”		

### (26) Number of persons employed by the Company

	2011	2010
Average number of persons employed during the reporting year	<b>37</b>	<b>41</b>

### (27) Information on remuneration to Council, Board and Managements Members

	2011 LVL	2010 LVL	2011 EUR	2010 EUR
Council Members’ salaries for work, including state social insurance contributions	7 116	6 588	10 125	9 374
Board Members’ salaries for work, including state social insurance contributions	29 594	30 034	42 109	42 734
<b>Total remuneration to management members</b>	<b>36 710</b>	<b>36 622</b>	<b>52 234</b>	<b>52 108</b>

There are no special regulations worked out, which would regulate election of Board Members, changes in the composition of the Board and amending of the Articles of Association.

All Board Members have equal Company’s representation rights. The Chairman of the Board represents the Company separately, but other Board Members can represent the Company only both together.

There is no agreement signed between the Company and the Board Members, which provides any compensation.



**SIA "AUDITS A.S."**

Vienotais reģ. Nr. 44103022356  
PVN maksātāja Nr. LV 44103022356

"Pīlādži", Līgatnes pagasts,  
Līgatnes novads, LV-4108

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## INDEPENDENT AUDITORS' REPORT

To the Shareholders of AS SIGULDAS CILTSLIETU UN MĀKSLĪGĀS APSĒKLOŠANAS STACIJA

Translation from Latvian

### Report on the Financial Statements

We have audited the accompanying financial statements of AS SIGULDAS CILTSLIETU UN MĀKSLĪGĀS APSĒKLOŠANAS STACIJA set out on pages 5 to 22 of the accompanying annual report, which comprise the balance sheet as of 31 December 2011 and the profit and loss account and the statements of changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Law of the Republic of Latvia on Annual Reports, 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.

#### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### Opinion

In our opinion, the financial statements give a true and fair view of the financial position of AS SIGULDAS CILTSLIETU UN MĀKSLĪGĀS APSĒKLOŠANAS STACIJA as of 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with the Law of the Republic of Latvia on Annual Reports.

### Report on Other Legal and Regulatory Requirements

We have read the management report for 2011 set out on page 4 of the accompanying annual report for 2011 and did not identify material inconsistencies between the financial information contained in the management report and that contained in the financial statements for 2011.

SIA AUDITS A.S.

License No. 27

Anita Sondore  
Certified auditor of Latvia  
Certificate No. 129  
Board Member

Līgatne, Latvia  
April 11, 2012

## ***Report on Management Liability***

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According to the information being at our disposal, the Annual Report for 2011 have been prepared according to the effective requirements of legislative enactments and provide a true and fair view about the joint stock company's “Siguldas ciltslietu un mākslīgās apsēkļošanas stacija” assets, liabilities, financial condition and profit.

The Management Report contains true information.

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Nils Ivars Feodorovs

*Chairman of the Board*

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Sarmīte Arcimoviča

*Member of the Board, Head  
of Production and  
Marketing Department*

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Valda Mālniece

*Member of the Board, Head  
of Financial and  
Accounting Department*

11 April 2012