

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

REPORT OF THE ***SUPERVISORY BOARD***

General meeting of Shareholders of joint stock company "Siguldas ciltslietu un mākslīgās apsēklošanas stacija" 2017 report.

March 19, 2018
Sigulda

The Supervisory Board has considered the report of the Joint Stock Company 2017. 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 increased by 3.6% or 38 thousand euro compared to the previous 2017.

Together with the Company's annual report had submitted the sworn auditor's report. The auditor has acknowledged that the JSC " Siguldas ciltslietu un mākslīgās apsēklošanas stacija " 2017 report provides a true and fair view of the Company's financial position at 31 December 2017 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 2017 financial statement.

Management report are definitely Company's future prospects and development.

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 2017 profit distribution of euro 65 798. The Supervisory Board considers that the Management Board proposal do not pay profit of the reporting year, but pay dividends of the previous year profits 33 795.20 euro, which is a 0.08 euro per share. It meets to the Company's existing financial possibilities.

The Supervisory Board considers that the joint-stock company has worked well. The submitted 2017 financial statements are true and fair information on the results of operations, cash flows and financial position as at 31 December 2017.

The Supervisory Board is a proposal to approve the general meeting of shareholders of JSC " Siguldas ciltslietu un mākslīgās apsēklošanas stacija " 2017 report and dividends from retained earnings of previous years 33 795.20 euro, which is a 0.08 euro per share.

Company's 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 8 Council meeting. Meetings were reviewed financial statements, the Management Board reports, as well as prospects for the future of JSC related issues.

The Supervisory Board want 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

_____ Baiba Mecaucē, Member of the Supervisory Board

_____ Maruta Niedrīte, Member of the Supervisory Board

_____ Jekaterina Kreise, Member of the Supervisory Board



**Joint Stock Company
'SIGULDAS CILTSLIETU UN
MĀKSLĪGĀS APSĒKLOŠANAS
STACIJA'**

**ANNUAL REPORT
for 2017**

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Information on the Company

Company's name	<i>SIGULDAS CILTSLIETU UN MĀKSLĪGĀS APSEĶĻOŠANAS 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 municipality, LV-2150</i>
Shareholders holding more than 5% of the total number of voting shares	<i>'Siguldas mākslīgās apsēklošanas stacija' Ltd. (49.92%), registration No. 40003311954</i> <i>Oļegs Radčenko (5.20%)</i> <i>Swedbank AS Clients account (5.07%)</i>
Members of the Management Board	<i>Nils Ivars Feodorovs, chairman of the Management Board, holding 400 shares</i> <i>Sarmīte Arcimoviča, member of the Management Board, holding 4 124 shares</i> <i>Valda Mālniece, member of the Management Board, holding 14 260 shares</i>
Members of the Supervisory Board	<i>Inīta Bedrīte, chairman of the Supervisory Board, holding 1 084 shares</i> <i>Maija Beča, deputy chairman of the Supervisory Board, holding 3 066 shares</i> <i>Jekaterina Kreise, member of the Supervisory Board, holding 3 683 shares</i> <i>Maruta Niedrīte, member of the Supervisory Board from 21.04.2017, holding 8 307 shares</i> <i>Ērika Everte, member of the Supervisory Board till 21.04.2017, holding 2 208 shares</i> <i>Solvīta Arcimoviča, member of the Supervisory Board till 21.04.2017, holding 430 shares</i>
Reporting period	<i>01.01.2017 – 31.12.2017</i>
Previous reporting period	<i>01.01.2016 – 31.12.2016</i>
Auditors	<i>Vija Dzene</i> <i>Sworn Auditor</i> <i>Certificate No. 108</i> <i>V. Dzenes Audits Ltd.</i> <i>Hospitalu street 8</i> <i>Riga, LV-1013, Latvia</i> <i>Sworn Auditors' Commercial Company's license No. 120</i>

Management Report

Types of Operations

JSC 'Siguldas ciltslītu 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 2017 was 1.1 million euros, which is by 38 thousand euros or 3.6% bigger than in 2016.

The proportion of the revenue from the Company's basic economic activities, if compared to year 2016, had not changed substantially – the revenue from the sales of the bull semen comprised 53.5% of the net turnover, whereas the milk laboratory services and processing of supervisory data services, taken together, accounted for 36.2% of the net turnover.

In 2017 the revaluation of the investment properties into the actual value resulted in loss of 30 thousand euros, whereas in 2016 it accounted for loss of 7 thousand euros.

Compared to 2016, the profit before taxes in the reporting year has decreased by 22 thousand euros, and was 81 thousand euros.

The Company's commercial profitability in 2017 was 7.3%, 2.3% points down if compared to 2016.

In 2017 there are no major events that have affected the financial statement, as well as no significant risks that the company might be confronted with and which could have an impact on its financial situation and performance.

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 33 795.20 euro, which is 0.08 euro per share.

Nils Ivars Feodorovs
*Chairman of the Management
Board*

Sarmīte Arcimoviča
*Member of the Management
Board*

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

19 March 2018

Profit or loss account

	Note	2017 EUR	2016 EUR
Net sales	3	1 108 990	1 070 645
a) from agricultural activities		1 108 990	1 070 645
Changes in stock of ready-made goods and unfinished products	4	58 560	62 397
Other operating income	5	42 066	25 199
Costs of materials:		(510 001)	(464 083)
a) raw materials and auxiliary costs of materials		(376 566)	(352 790)
b) other external costs		(133 435)	(111 293)
Personnel costs:	6	(456 244)	(456 891)
a) salaries for work		(364 461)	(364 397)
b) state social insurance compulsory contributions		(82 553)	(82 697)
c) other social insurance costs		(9 230)	(9 797)
Depreciation adjustments:		(68 140)	(63 888)
a) depreciation adjustments of fixed and intangible assets		(44 024)	(44 882)
b) depreciation adjustments of current assets which the company considers to be above the normal write-off amounts		(24 116)	(19 006)
Other operating costs	7	(94 387)	(70 826)
Earnings from shareholding:		-	15
a) in capitals of associated companies		-	15
Profit or loss before enterprise income tax		80 844	102 568
Enterprise income tax for the reporting year		(16 767)	(18 254)
Profit or loss after enterprise income tax calculation		64 077	84 314
Revenue or expenses from the changes in the deferred tax assets or liabilities in the balance		1 721	1 008
The profit or loss for the year		65 798	85 322
Equity per 1 share (EPS)	19	0.156	0.202

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

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19 March 2018

Balance sheet

Assets	Note	2017 EUR	2016 EUR
Long-term investments			
Intangible assets			
Concessions, patents, licenses, trademarks and similar rights		8 918	1 332
Intangible assets total	8	8 918	1 332
Fixed assets (fixed assets, investment properties, biological assets)			
Fixed assets			
Immovable properties - land parcels, buildings and constructions		160 442	110 297
Productive animals and perennial plantings		73 284	-
Technological equipment and machinery		11 109	9 850
Other fixed assets and inventory		49 281	44 004
Fixed assets total	9	294 116	164 151
Investment properties	10	57 000	87 000
Biological assets	11	-	58 786
Long-term financial investments			
Investments in capital of associated companies	12	-	84 053
Other securities and investments	13	684	683
Long-term financial investments total		684	84 736
Long-term investments total		360 718	396 005
Current assets			
Stock			
Raw materials, basic materials and auxiliary materials		19 102	13 992
Ready-made goods and goods for sale	14	693 083	634 513
Prepayments for goods		150	2 439
Stock total		712 335	650 944
Receivables			
Trade receivables	15	188 063	183 308
Other receivables	16	2 862	2 597
Prepaid expenses	17	11 027	10 584
Receivables total		201 952	196 489
Cash	18	333 148	364 575
Current assets total		1 247 435	1 212 008
Assets total		1 608 153	1 608 013

Balance sheet

Shareholders' equity and liabilities	Note	2017 EUR	2016 EUR
Shareholders' equity			
Share capital	19	591 416	591 416
Other reserves	20	1 213	1 213
Retained earnings or loss carried forward from previous years		872 141	850 185
Profit or loss of the reporting year		65 798	85 322
Shareholders' equity total		1 530 568	1 528 136
Payables			
Long-term payables			
Deferred tax liabilities		-	1 721
Long-term payables total		-	1 721
Short-term payables			
Prepayment received from customers		1 306	480
Trade payables		23 677	19 766
Taxes and social insurance payments	21	24 793	34 523
Other payables		17 651	17 064
Accrued liabilities	22	10 158	6 323
Short-term payables total		77 585	78 156
Payables total		77 585	79 877
Shareholders' equity and liabilities total		1 608 153	1 608 013

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19 March 2018

Cash flow statement

	Note	2017 EUR	2016 EUR
Cash flow from operating activities			
Income from sale of goods and provision of services		1 330 460	1 275 588
Payments to suppliers, employees, other expenses arising from basic operations		(1 281 696)	(1 188 117)
Gross cash flow from basic operations		48 764	87 471
Expenses for enterprise income tax payments		(16 334)	(14 067)
Net cash flow from operating activities		32 430	73 404
Cash flow from investing activities			
Purchase of capital shares of associated company		-	(99)
Income from dispossession of capital shares of associated company		92 948	-
Purchase of fixed assets and intangible investments		(119 840)	(26 168)
Income from dispossession of fixed assets		16 549	826
Received dividends		-	15
Net cash flow from investing activities		(10 343)	(25 426)
Cash flow from financing activities			
Subsidies received as a state support		10 528	9 082
Dividends paid		(63 366)	(42 244)
Net cash flow from financing activities		(52 838)	(33 162)
Result of foreign exchange rate fluctuations		(676)	(250)
Net increase or decrease of cash and its equivalents		(31 427)	14 566
Cash and its equivalents balance at the beginning of the reporting year		364 575	350 009
Cash and its equivalents balance at the end of the reporting year	18	333 148	364 575

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19 March 2018

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
31.12.2015	591 416	1 213	816 761	75 668	1 485 058
Profit of 2015 transferred to retained earnings of previous years	-	-	75 668	(75 668)	-
Dividends for 2015	-	-	(42 244)	-	(42 244)
Profit for the reporting year	-	-	-	85 322	85 322
31.12.2016	591 416	1 213	850 185	85 322	1 528 136
Profit of 2016 transferred to retained earnings of previous years	-	-	85 322	(85 322)	-
Dividends for 2016	-	-	(63 366)	-	(63 366)
Profit of the reporting year	-	-	-	65 798	65 798
31.12.2017	591 416	1 213	872 141	65 798	1 530 568

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

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19 March 2018

Notes to the Financial Statements

(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 in compliance with the international accounting standards.

Biological assets are reclassified as fixed assets at the end of the reporting year.

The balance of deferred tax liabilities is excluded from the balance sheet, as it became known during the preparation of the annual report that the new corporate income tax regulation is going to be into force in the next reporting year as a result of the corporate income tax reform.

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.

Notes to the Financial Statements

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.

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 2017.

Revaluation of foreign currencies

The Company's functional currency and the currency used in the Financial Statements is euro (EUR). 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.

	31.12.2017	31.12.2016
USD	1.19930	1.05410

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.

Notes to the Financial Statements

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	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.

At the end of the reporting year biological assets have been reclassified and continue to be listed as part of fixed assets in the value of their purchase cost.

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

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.

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 the excluded balance of deferred tax.

Corporate income tax is recognized in the profit or loss account.

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%.

The balance of deferred tax liabilities shall be excluded from the balance sheet at the end of the reporting year.

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	2017 EUR	2016 EUR
Livestock sperm	593 243	550 724
Milk laboratory services	293 645	283 413
Treatment of supervisory data	108 089	112 232
Artificial insemination of livestock	42 432	42 840
Other income	71 581	81 436
	1 108 990	1 070 645

Distribution of net sales according to the geographical markets:

	2017 EUR	2016 EUR
Latvia	1 108 990	1 070 645
	1 108 990	1 070 645

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

	2017 EUR	2016 EUR
Changes in sperm stock value	69 370	87 618
Written-off sperm	(25 308)	(22 228)
Breeding bulls herd value changes	14 498	(2 993)
	58 560	62 397

(5) Other operating income

	2017 EUR	2016 EUR
Income from dispossession of fixed assets	16 549	826
Costs of dispossession of fixed assets	(11 549)	-
Profit from dispossession of fixed assets	5 000	826
Profit from dispossession of capital shares of associated company	8 896	-
Profit from foreign currency exchange rate fluctuations	1 235	-
State support for agricultural	10 528	9 082
Recovered doubtful and bad debts	16 250	13 620
Other income	157	1 671
	42 066	25 199

Notes to the Financial Statements

(6) Personnel costs

	2017 EUR	2016 EUR
Salaries for work	344 531	351 006
Life insurance with cash value accrual	16 827	14 267
State social insurance contributions	81 821	82 897
Changes in liabilities to personnel for unused vacation	3 835	(1 076)
Health insurance	7 650	7 583
Other costs	1 580	2 214
	456 244	456 891

(7) Other operating expenses

	2017 EUR	2016 EUR
Insurance payments	4 328	4 349
Business trip expenses	5 261	4 509
Selling expenses	2 314	2 007
The costs of accreditation and employee training	2 548	1 305
The costs of security services	1 280	1 280
Taxes applied on the vehicles	2 480	2 222
Company's management and administrative expenses	10 781	11 442
Regulated securities market expenses	9 748	9 633
Mandatory audit of the annual report	1 600	1 600
Loss from foreign currency exchange rate fluctuations	-	1 444
Loss from investment property revaluation	30 000	7 000
Employees' leisure and similar costs	14 335	13 897
Real estate tax	1 849	1 845
Other costs	7 863	8 293
	94 387	70 826

Notes to the Financial Statements

(8) Intangible assets

	Concessions, patents, licenses, trademarks and similar rights EUR
Initial value	
31.12.2016	2 725
Purchased	8 060
Disposed	-
31.12.2017	10 785
Accrued depreciation adjustments	
31.12.2016	1 393
Annual write-off of the value	474
Adjustments to accrued depreciation of excluded intangible assets	-
31.12.2017	1 867
Book value as at 31.12.2016	1 332
Book value as at 31.12.2017	8 918

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

Notes to the Financial Statements

(9) Report on movement of fixed assets

	Land, buildings and constructions	Productive animals and perennial plantings	Technological equipment and machinery	Other fixed assets and inventory	Total
	EUR	EUR	EUR	EUR	EUR
Initial value					
31.12.2016	362 641	15 376	324 376	295 103	997 496
Purchased	65 618	-	7 300	38 862	111 780
Dispossessed or liquidated	(600)	-	(2 499)	(26 051)	(29 150)
Reclassified from biological assets	-	73 284	-	-	73 284
31.12.2017	427 659	88 660	329 177	307 914	1 153 410
Accrued depreciation adjustments					
31.12.2016	252 344	15 376	314 526	251 099	833 345
Calculated depreciation	15 473	-	6 041	22 036	43 550
Depreciation of dispossessed or liquidated fixed assets	(600)	-	(2 499)	(14 502)	(17 601)
31.12.2017	267 217	15 376	318 068	258 633	859 294
Book value as on 31.12.2016	110 297	-	9 850	44 004	164 151
Book value as on 31.12.2017	160 442	73 284	11 109	49 281	294 116

As on 31 December 2017, 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
Initial value					
31.12.2015	362 641	15 376	324 376	276 408	978 801
Purchased	-	-	-	26 168	26 168
Dispossessed or liquidated	-	-	-	(7 473)	(7 473)
31.12.2016	362 641	15 376	324 376	295 103	997 496
Accrued depreciation adjustments					
31.12.2015	237 074	15 376	308 740	235 086	796 276
Calculated depreciation	15 270	-	5 786	23 486	44 542
Depreciation of dispossessed or liquidated fixed assets	-	-	-	(7 473)	(7 473)
31.12.2016	252 344	15 376	314 526	251 099	833 345
Book value as on 31.12.2015	125 567	-	15 636	41 322	182 525
Book value as on 31.12.2016	110 297	-	9 850	44 004	164 151

Notes to the Financial Statements

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

(10) Investment properties

	Land EUR
Book value as on 31.12.2015	94 000
Increase/decrease of value due to revaluation	(7 000)
Book value as on 31.12.2016	87 000
Increase/decrease of value due to revaluation	(30 000)
Book value as on 31.12.2017	57 000

(11) Biological assets

	Breeding bulls EUR
Book value as on 31.12.2015	61 779
Purchased	30 678
Dispossessed	(33 671)
Book value as on 31.12.2016	58 786
Purchased	29 298
Dispossessed	(14 800)
Reclassified as fixed assets	(73 284)
Book value as on 31.12.2017	-

(12) Investments in capital of associated companies

	2017		2016	
	% from total share capital	EUR	% from total share capital	EUR
‘Animal Breeders Association of Latvia’ Ltd. (SIA „Latvijas šķirnes dzīvnieku audzētāju savienība”) Legal address: Republikas laukums 2, Rīga, LV-1010, Latvia	-	-	36.4	84 053
		-		84 053

(13) Other securities and investments

	EUR
Purchase value as on 31.12.2016	683
Book value as on 31.12.2016	683
Purchase value as on 31.12.2017	684
Book value as on 31.12.2017	684

Notes to the Financial Statements

(14) Ready-made products and goods for sale

	2017 EUR	2016 EUR
Bull semen	683 635	625 570
Other goods for sale	9 448	8 943
	693 083	634 513

(15) Trade receivables

	2017 EUR	2016 EUR
Accounting value of trade receivables	230 985	219 815
Provisions for doubtful trade receivables	(42 922)	(36 507)
	188 063	183 308

(16) Other receivables

	2017 EUR	2016 EUR
VAT for received goods and services	1 269	664
Overpayment of enterprise income tax	1 485	1 918
Other receivables	108	15
	2 862	2 597

(17) Prepaid expenses

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

	2017 EUR	2016 EUR
Advertising costs	433	454
Insurance	8 661	8 193
Press and legislation updates' subscription	1 047	1 003
Server maintenance and similar costs	257	568
Other prepaid expenses	629	366
	11 027	10 584

(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:

		2017		2016
	Currency	EUR	Currency	EUR
Cash in hand	EUR	- 3 842	-	1 961
Cash in bank	EUR	- 329 306	-	362 614
		333 148		364 575

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 31.12.2017 is 422 440, the nominal value of one share is 1.40 euro.

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

	2017 EUR	2016 EUR
Bearer shares with voting rights	590 016	590 016
Shares owned by the Board without voting rights	1 400	1 400
	591 416	591 416

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.

	2017 11.04.2017 %	2016 31.10.2016 %
'Siguldas mākslīgās apsēklošanas stacija' Ltd	49.92	49.92
Oļegs Radčenko	5.20	5.20
Swedbank AS Clients account	5.07	5.07
Inita Bedrīte, chairman of the Supervisory Board	0.26	0.26
Maija Beča, deputy chairman of the Supervisory Board	0.73	0.73
Jekaterina Kreise, member of the Supervisory Board	0.87	0.87
Maruta Niedrīte, member of the Supervisory Board from 21.04.2017	1.97	1.97
Ērika Everte, member of the Supervisory Board till 21.04.2017	0.52	0.52
Solvita Arcimoviča, member of the Supervisory Board till 21.04.2017	0.10	0.10
Sarmīte Arcimoviča, member of the Management Board	0.91	0.91
Valda Mālniece, member of the Management Board	3.31	3.31
Other shareholders	31.14	31.14
	100.00	100.00

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.

	2017 number	2016 number
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
	1 000	1 000

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.

	2017 EUR	2016 EUR
Profit of the reporting period	65 798	85 322
Average weighted number of shares during the year	422 440	422 440
	0.156	0.202

(20) Other Reserves

	2017 EUR	2016 EUR
The difference of the share value resulting from the denomination of the Company's shares from lats to euro	1 213	1 213
	1 213	1 213

(21) Taxes and social insurance payments

Tax type	2017 EUR	2016 EUR
Value added tax	5 216	12 703
Personal income tax	7 034	8 014
Social insurance payments	12 480	13 742
Nature resource tax	50	51
Business risk state fee	13	13
	24 793	34 523

Tax overpaid declared in position 'Other receivables'

(22) Accrued liabilities

	2017 EUR	2016 EUR
Calculated liabilities to personnel for unused vacation	10 158	6 323
	10 158	6 323

(23) Information on the number of management members and remuneration

	2017 EUR	2016 EUR
Remuneration to five Supervisory Board members for execution of functions, including social insurance payments	9 951	10 990
Remuneration to three Management Board members for execution of functions, including social insurance payments	43 058	44 810
Total remuneration to the management members	53 009	55 800

Notes to the Financial Statements

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.

(24) Average number of employees

	2017	2016
Supervisory Board members (all employees perform the functions of the Supervisory Board member as an extra work in addition to principal work duties)	3	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	29	28
Total average number of employees	35	35

Report on Management Liability

Based on information at the Management Board's possession the Annual Report for 2017 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.

Nils Ivars Feodorovs

*Chairman of the Management
Board*

Sarmīte Arcimoviča

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

Valda Mālniece

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

19 March 2018

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 2017,
- 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 2017, and of its financial performance and its cash flows for the year then ended in accordance with the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

Basis for Opinion

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

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

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

Key audit matters

Key audit matters are such matters which, based on our professional judgement, were the most important in reporting period's financial audit. During the audit no significant atypical transactions were found, there are no sectors associated with considerable risks and significant uncertainty. Key audit matters are not separately identified in the auditor's report. Those matters were generally addressed within the context of financial statements audit, as well as, when drafting a report on those financial statements, thus, we do not express a separate report on those matters.

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 23 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

Certified auditor

Certificate No 108

Member of the Board

Rīga, 19.03.2018.

