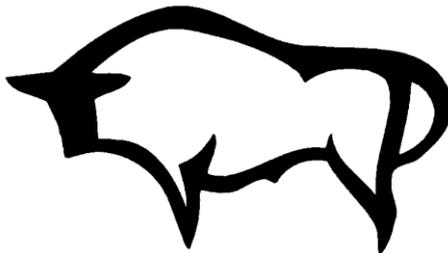


STOCK COMPANY
„Kurzemes ciltslietu un mākslīgās
apsēklošanas stacija”

REGISTRATION NUMBER 40003017085



FINANCIAL REPORT FOR THE PERIOD ENDED
31 December 2017

GATIS KAČIS
Chairman of the Board

SIGITA LUKAŽE
Member of the Board

MĀRTIŅŠ MUIŽNIEKS
Member of the Board,

DAIGA LIELPINKA
Chief Accountant

Jaunpils 2018

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BALANCE SHEET

ASSETS	Note	31.12.2017 EUR	31.12.2016 EUR
I. Non-current assets			
I. Intangible assets			
1 Concessions, patents, licences, trademarks and similar rights		270	536
Total intangible assets	4	270	536
II. Property, plant and equipment			
1 Real estate			
a) land, buildings and engineering constructions		882869	877996
2 Animals and plants			
a) draft animals or productive animals and perennial plantings		40458	48161
3 Technological equipment and machinery		90407	105358
4 Other property, plant and equipment		9203	7414
5 Construction in progress		0	8740
Total property, plant and equipment	5	1022937	1047669
III. Long-term financial investments			
1 Other securities and investments		3529	3529
Total long-term financial investments		3529	3529
Total non-current assets		1026736	1051734
II. Current assets			
I. Inventories			
1. Raw materials and consumables	6	105584	82165
2. Work in progress	7	42845	39591
3. Finished goods	8	224321	306181
Total inventories		372750	427937
II. Receivables			
1 Trade receivables	9	80335	72129
2 Other receivables	10	722	190
3 Prepaid expense	11	5013	5814
Total receivables		86070	78133
III. Cash			
	12	309690	214615
Total current assets		768510	720685
Total assets		1795246	1772419

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

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Chief Accountant

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BALANCE SHEET

EQUITY AND LIABILITIES	Note	31.12.2017. EUR	31.12.2016. EUR
I. Equity			
1 Share capital	13	613200	613200
2 Reserves			
a) Other reserves		1258	1258
3 Retained earnings for the previous year	14	1074507	962679
4 Retained earnings for the year	14	-19163	111828
Total equity		1669802	1688965
III. Liabilities			
I. Non-current liabilities			
1 Deferred income	15	26199	0
Total non-current liabilities		26199	0
II. Current liabilities			
1 Trade payables	16	19310	8067
2 Taxes payable	17	22388	26110
3 Other payables	18	17425	16381
4 Accrued liabilities	19	31389	29726
5 Deferred income	20	8733	3170
Total current liabilities		99245	83454
Total liabilities		125444	83454
Total equity and liabilities		1795246	1772419

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INCOME STATEMENT

	Note	2017.g.9 mēn. EUR	2016.g.9 mēn. EUR
1 Revenue	22	891912	918157
a) from agricultural activity		793395	814634
b) from other type of economic activities		98517	103523
2 Cost of sales	23	-493193	-478961
3 Gross profit		398719	439196
4 Distribution costs	24	-272446	-194435
5 Administrative expenses	25	-206940	-207682
6 Other operating income	26	61685	75751
7 Other operating expense	27	-181	-906
8 Interest payable and similar expense:			
a) to other persons	28	0	-96
9 Profit or loss before tax		-19163	111828
10 Corporate income tax	29	0	0
11 Profit or loss after tax		-19163	111828
12 Profit or loss for the year		-19163	111828
13 Profit (loss) per share (EPS)		-0.022	0.128

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STATEMENT OF CASH FLOWS

(indirect method)

	2017	2016
	EUR	EUR
I. Cash flows from operating activities		
1. Profit or loss before tax	-19163	111828
Adjustments for:		
a) Depreciation of property, plant and equipment	42594	44231
b) Write-down of intangible assets	266	336
c) Provisions (other than provisions for doubtful debts)	-1663	-21977
d) Profit or loss from foreign currency exchange rate fluctuations	-181	-706
e) Losses from the liquidation of property, plant and equipment	24732	20302
f) Subsidies, grants, gifts and donations received	-60919	-74238
i) Interest payable and similar expenses	0	96
2. Profit or loss before adjustments in the balances of current assets and short-term liabilities	-14334	79872
Adjustments for:		
a) Increase/ decrease in trade receivables	-7937	11619
b) Increase/ decrease in inventories	55187	25472
c) Increase/ decrease in trade and other payables	41990	-15844
3. Cash generated from operations	74906	101119
4. Interest paid	0	-96
5. Expenses for corporate income tax payments	0	-4657
6. Net cash generated from operating activities	74906	96366
II. Cash flows from investing activities		
3. Purchases of property, plant and equipment and intangible assets	-42398	-174005
4. Proceeds from disposal of property, plant and equipment and intangible assets	1467	1304
7. Saņemtie procenti	0	0
9. Net cash used in investing activities	-40931	-172701
III. Cash flows from financing activities		
3. Subsidies, grants, gifts and donations received	60919	74238
6. Dividends paid	0	-39420
7. Net cash used in financing activities	60919	34818
IV. Foreign currency exchange rate fluctuations	181	706
V. Net cash flows in the reporting year	95075	-40811
VI. Cash and cash equivalents at the beginning of the year	214615	255426
VII. Cash and cash equivalents at the end of the reporting year	309690	214615

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 Member of the Board

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Chief Accountant

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STATEMENT OF CHANGES IN EQUITY

	2017	2016
	EUR	EUR
I. Share capital		
1 Amount indicated in the balance sheet of the previous year	613200	613200
2 Correction of the amount indicated in the balance sheet of the previous year	0	0
3 Increase/decrease in share capital	0	0
4 Amount indicated at the end of the period in the balance sheet of the financial year	613200	613200
V. Reserves		
1 Amount indicated in the balance sheet of the previous year	1258	1258
2 Reserves increased through the share capital	0	0
3 Amount indicated at the end of the period in the balance sheet of the financial year	1258	1258
VI. Retained earnings		
1 Amount indicated in the balance sheet of the previous year	1074507	1002099
2 Correction of the amount indicated in the balance sheet of the previous year	0	-39420
3 Increase/decrease in retained earnings	-19163	111828
4 Amount indicated at the end of the period in the balance sheet of the financial year	1055344	1074507
VII. Equity		
1 Amount indicated in the balance sheet of the previous year	1688965	1616557
2 Amount indicated at the end of the period in the balance sheet of the financial year	1669802	1688965

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 Member of the Board

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NOTES TO THE FINANCIAL STATEMENTS

General information

Name of the company Stock Company "Kurzemes ciltslietu un mākslīgās apsēklošanas stacija"

Legal form of the company Stock Company

Registration number, place and date of registration 40003017085, Riga, 6 August 1991

Re-registration in Commercial Register 40003017085, Riga, 7 April 2004

Legal address *Jaunpils, Jaunpils district, Jaunpils region, LV-3145*

Board until 20.03.2017	<i>GATIS KAĶIS</i>	Chairman of the Board
	<i>SIGITA LUKAŽE</i>	Member of the Board
	<i>DAIGA LIELPINKA</i>	Member of the Board

Board from 20.03.2017	<i>GATIS KAĶIS</i>	Chairman of the Board
	<i>SIGITA LUKAŽE</i>	Member of the Board
	<i>MĀRTIŅŠ MUIŽNIEKS</i>	Member of the Board

Council until 15.02.2017	<i>JĀNIS LEIMANIS</i>	Chairman of the Council
	<i>PĒTERIS AUGUSTOVŠ</i>	Member of the Council
	<i>MAIJA BRUNOVSKA</i>	Member of the Council
	<i>INĀRA KANSKA</i>	Member of the Council
	<i>HARALDS MOZGIRS</i>	Member of the Council

Council from 15.02.2017	<i>AGNESE DŪZE</i>	Chairman of the Council
	<i>MAIJA BRUNOVSKA</i>	Member of the Council
	<i>PAULIS PAŠKAUSKS</i>	Member of the Council
	<i>ANDRIS PAŠKAUSKS</i>	Member of the Council
	<i>INĀRA KANSKA</i>	Member of the Council

Major shareholders as at 31.12.2016	<i>LLC "Latvijas šķīmes dzīv.n.audz.savienība"</i>	42.1%
	<i>LLC "JL Index"</i>	11.5%
	<i>Pēteris Augustovs</i>	11.7%

SC Kurzemes ciltslietu un mākslīgās apsēklošanas stacija
Financial Report for the period ended 31 December, 2017

Major shareholders as at 31.12.2017	LLC "Latvijas šķirnes dzīv.n.audz.savienība"	51.7%
	SC "Agrofirma Tērvete"	29.8%
LEI code	529900KYEWO4FP2XMF82	
Economic activity	01.50 Mixed farming	
Financial year	01.01.2017	31.12.2017
Auditor	INGUNA STAŠA LR Zvērināta Revidente LZRA Sertifikāts Nr. 145	SIA "DELOITTE AUDITS LATVIA" Grēdu iela 4a, Rīga Latvija, LV – 1019 Reģ.Nr. 40003606960 Zvērinātu revidentu komercsabiedrības licence Nr. 43

Notes to the Financial Statements (continued)

Basis of preparation

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

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

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

Accounting principles applied

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

- a) assumption, that a Company is a going concern;
- b) the same evaluation methods are used as in the previous reporting year;
- c) evaluation is made with proper precaution:

the report includes profit that was acquired till the date of the statement of financial position;

all foreseeable risk amounts and losses that incurred during the reporting year or in the previous years have been taken into account even if they have been found out in the period between the date of statement of financial position and the date, when annual report was signed;

all impairments and depreciation amounts have been calculated and taken into account regardless of whether the reporting year is finished with profit or loss;

- d) income and expenses related to the reporting year are taken into account regardless of the date of payment and the date of invoice receipt or issue. Expenses are reconciled with incomes in the reporting year;
- e) assets and liabilities items are evaluated separately;
- f) opening balances of the reporting year match closing balances of the previous year;
- g) all the items, that significantly affect assessment and decision-making of the users of the annual report, are disclosed, non-significant items have been combined and the details are disclosed in the notes;
- h) business transactions are disclosed in the annual report, taking into account its economic contents and nature rather than legal form;
- i) balance sheet and income statement items are stated at the cost of acquisition or production. The cost of acquisition is the purchase price of goods or services (less any discounts granted) plus any extra costs related to the purchase. The cost of production is the cost of acquiring raw materials and consumables and other expenses that are directly attributable to the construction of the asset. The cost of production may also include portions of expenses that are indirectly related to the construction of the asset, provided these costs are attributable to the same period.

Reporting period

The financial statements cover the period from **01.01.2017** till **31.12.2017**.

Use of estimates

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

Change of the accounting policy

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

- presentation of biological assets in the Company's balance sheet. In annual financial statements for 2016 biological assets are presented in property, plant and equipment under item "Animals and plants". Comparative figures have been reclassified accordingly.

- classification of the reserve for unused leaves in the balance sheet. Estimated liabilities against employees for the accrued annual leave days in the reporting year are presented in the balance sheet item "Accrued liabilities" rather than under "Other provisions" as before.
- classification of the real estate tax in the income statement. In annual financial statements for 2016 real estate tax expenses are presented according to its nature in the item "Production cost price of produce sold" rather than under the item "Other taxes" as before.

Reclassification of items

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

Contingencies

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

Currency and foreign currency revaluation

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

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions or on reporting of assets and liabilities using the exchange rates that differ from the initial transaction accounting rates are recognized in the income statement in accordance with the accounting principles of 2016.

	31.12.2017.	31.12.2017.
USD	1.1993	1.0541

Non-current and current items

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

Related parties

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

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

Own shares and participation in other undertakings

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

Intangible assets and property, plant and equipment

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

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

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

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

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

<u>Intangible assets:</u>	
Computer software etc.	20 %
<u>Property, plant and equipment</u>	
Buildings and construction	5 %
Technological plant and machinery	10,20 %
Vehicles	20 %
Other fixed assets and equipment	20 %

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

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

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

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

The initial value of construction in progress is increased by other direct costs incurred in relation to the object until the new object is put into operation. The initial value of the respective asset is not increased by the interest of the loans used for creation of the new

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

Revaluation of fixed assets and establishment of reserve

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

Accounting of productive animals or plants

Animals are initially measured and recorded at the following cost:

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

Development costs

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

Inventories

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

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

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

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

Receivables

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

Signs that an amount receivable may be doubtful:

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

Trade receivables

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

Other receivables

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

Prepaid expense and deferred revenue

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

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

Other securities and investments

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

Cash

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

Share capital

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

Share premium

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

Reserves

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

Payables

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

Loans and borrowings

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

Leases

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

Finance charges are included in the income statement as interest expense.

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

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

Provisions

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

Accrued income

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

Accrued liabilities

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

Reserve for unused leaves

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

Advances from customers

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

Other payables

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

Dividends

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

Taxes and mandatory state social insurance contributions

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

Subsidies

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

Revenue recognition

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

Sale of goods

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

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

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

Provision of services

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

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

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

Other income

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

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

Corporate income tax

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

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

Subsequent events

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

Chairman of the Board

Member of the Board

Member of the Board

Chief Accountant

GATIS KAČIS

SIGITA LUKAŽE

MĀRTIŅŠ MUIŽNIEKS

DAIGA LIELPINKA

NOTES TO THE BALANCE SHEET (continued)

	2017	2016
1 Average number of employees during the reporting year, incl.	36	35
Members of the Board	3	3
Members of the Council	5	5
Other employees	28	27
	2017	2016
	EUR	EUR
2 Total labour costs	403059	397086
- salaries	326858	322312
- state mandatory social insurance payments	76201	74774
Remuneration of employees engaged in production (core activity)		
- salaries	217970	206194
- state mandatory social insurance payments	49273	47227
- total	267243	253421
Remuneration of administration		
- salaries	108888	116118
- state mandatory social insurance payments	26928	27547
- total	135816	143665
3 Management remuneration		
<i>Members of the Council</i>		
- salaries	12380	16496
- state mandatory social insurance payments	3247	3557
- total	15627	20053
<i>Members of the Board</i>		
- salaries	38340	64947
- state mandatory social insurance payments	9045	15255
- total	47385	80202

4. Intangible assets

	Concessions, patents, licences, trademarks and similar rights	Advance payments	Total intangible assets
Purchase value as at 31.12.2015	4422	0	4422
Additions	0	0	0
Disposal	0	0	0
Reclassification	0	0	0
Purchase value as at 31.12.2016.	4422	0	4422
Depreciation as at 31.12.2015	3550	0	3550
Calculated	336	0	336
Written off	0	0	0
Depreciation as at 31.12.2016.	3886	0	3886
Net book amount 31.12.2015.	872	0	872
Net book amount 31.12.2016.	536	0	536
			0
Purchase value as at 31.12.2016.	4422	0	4422
Additions	0	0	0
Disposal	0	0	0
Reclassification	0	0	0
Purchase value as at 31.12.2017.	4422	0	4422
			0
Depreciation as at 31.12.2016	3886	0	3886
Calculated	266	0	266
Written off	0	0	0
Depreciation as at 31.12.2017.	4152	0	4152
Net book amount 31.12.2016.	536	0	536
Net book amount 31.12.2017.	270	0	270

5. Property, plant and equipment

	Real estate	technological equipment and machinery	Other property, plant and equipment	Construction in progress	Animals and plants	Total
Purchase value as at 31.12.2015.	836529	553358	40255	4200	43509	1477851
Additions	113 818	28062	1547	118358	26038	287823
Disposal	0	-32021	-2310	-113818	-21386	-169535
Reclassification	0	0	0	0	0	0
Purchase value as at 31.12.2016.	950347	549399	39492	8740	48161	1596139
Depreciation as at 31.12.2015.	62921	443447	31982	0	0	538350
Calculated	9430	32395	2406		0	44231
Written off	0	-31801	-2310		0	-34111
Depreciation as at 31.12.2016.	72351	444041	32078		0	548470
Net book amount 31.12.2015	773608	109911	8273		43509	935301
Net book amount 31.12.2016.	877996	105358	7414	8740	48161	1047669
Purchase value as at 31.12.2016.	950347	549399	39492	8740	48161	1596139
Additions	16660	12602	4932	3760	11650	49604
Disposal	0	-9105	-2684	-12500	-19353	-43642
Reclassification	0	0	0		0	0
Purchase value as at 31.12.2017.	967007	552896	41740	0	40458	1602101
Depreciation as at 31.12.2016.	72351	444041	32078	0	0	548470
Calculated	11787	27553	3254		0	42594
Written off	0	-9105	-2795		0	-11900
Depreciation as at 31.12.2017.	84138	462489	32537		0	579164
Net book amount 31.12.2016.	877996	105358	7414	8740	48161	1047669
Net book amount 31.12.2017.	882869	90407	9203	0	40458	1022937

Real estate	Cadastral No.	Cadastral value as at 31.12.2017.	Book value as at 31.12.2017.
<i>Land</i>	EUR	295656	454876
<i>Buildings and construction</i>	EUR	45270	427993

6 Raw materials and consumables	31.12.2017.	31.12.2016.
	EUR	EUR
Materials	17934	15420
Feed additives	0	351
Mineral fertilizers and chemicals	14001	6764
Grain and seedcorn	68355	52698
Fuel	1977	2458
Spare parts	533	437
Animal feed	2784	4037
Total	105584	82165
7 Work in progress	31.12.2017.	31.12.2016.
	EUR	EUR
Winter crops	42845	39591
Total	42845	39591
8 Finished goods	31.12.2017.	31.12.2016.
	EUR	EUR
Frozen bulls sperm	224321	306181
Total	224321	306181
9 Trade receivables	31.12.2017.	31.12.2016.
	EUR	EUR
Carrying amount of trade receivables	91395	83081
Allowance for doubtful debts	-11060	-10952
Net trade receivables	80335	72129
Movements in the allowance for doubtful debts	31.12.2017.	31.12.2016.
Allowance as at 31.12.2015	10952	10749
Decrease	0	0
Increase	108	203
Allowance as at 31.12.2016	11060	10952
10 Other receivables	31.12.2017.	31.12.2016.
	EUR	EUR
Payments to advance settlement parties	722	190
Total	722	190
11 Prepaid expense	31.12.2017.	31.12.2016.
	EUR	EUR
Insurance	5013	5814
Total	5013	5814
12 Cash	31.12.2017.	31.12.2016.
	EUR	EUR
Cash at bank	303901	210205
Cash in hand	5789	4410
Total	309690	214615

13 Share capital

As at 31 December 2017 registered and fully paid share capital of the Company is EUR 613200 and it consists of 876000 shares with a par value of EUR 0.70 per share. As at 31 December 2016 registered and fully paid share capital of the Company is EUR 613200 and it consists of 876000 shares with a par value of EUR 0.70 per share.

Capital structure Share Class	31.12.2017.			31.12..2016.		
	% of share capital	Number of shares	EUR	% of share capital	Number of shares	EUR
Bearer shares with voting rights - publicly traded	100%	876000	613200	100%	876000	613200
Bearer shares without voting rights	0%	0		0%	0	
	100%	876000	613200	100%	876000	613200

Shareholders of the Company as at 31 December, 2017 and their position in the Company

Shareholders	Position in the Company	% of share capital
SIA Latvijas šķ. dzīv. audz. sav.	shareholder	51.74%
AS Agrofirma Tērvete	shareholder	29.83%
Other shareholders	x	18.43%
Total:	x	100.00%

Details of the restrictions on the transfer of shares

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

Shareholders' rights and agreements

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

The Company has no information on any shareholders agreement.

Powers of board members and special agreements

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

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

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

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

14 Retained earnings	31.12.2017.	31.12.2016.
	EUR	EUR
Retained earnings for the previous year	1074507	962679
Retained earnings for the year	-19163	111828
Total	1055344	1074507

15 Deferred income (non-current)	31.12.2017.	31.12.2016.
	EUR	EUR
EU financing for Garāžas-darbnīcas ēkas pārbūve	26199	0
Total	26199	0
	31.12.2017.	31.12.2016.
	EUR	EUR
Deferred income write-off period		
From 2 to 5 years	26199	3170
Total	26199	3170
16 Trade payables	31.12.2017.	31.12.2016.
	EUR	EUR
Latvian trade payables	12085	8067
Foreign trade payables	7225	0
Total	19310	8067
17 Taxes payable	31.12.2017.	31.12.2016.
	EUR	EUR
State mandatory social insurance payments	11051	10628
Personal income tax	6066	5504
Value added tax	4560	9141
Natural resources tax	698	817
State fee of business risk	13	20
Total	22388	26110
18 Other payables	31.12.2017.	31.12.2016.
	EUR	EUR
Salaries	17213	16038
Payments to advance settlement party	1	0
Receivables overpayments	211	343
Total	17425	16381
19 Accrued liabilities	31.12.2017.	31.12.2016.
	EUR	EUR
Accrued liabilities - unused annual leaves	24389	18 465
Accrued liabilities	7000	11261
Total	31389	29726
20 Deferred income	31.12.2017.	31.12.2016.
	EUR	EUR
EU financing for reconstruction and modernisation of bulls'cattle-shed	0	917
EU financing for new machinery purchase for grain industry	0	2253
EU financing for Garāžas-darbnīcas ēkas pārbūve	8733	0
Total	8733	3170

NOTES TO THE INCOME STATEMENT

21 Revenue	Nace	2017.	2016.
a) from agricultural activity	kods	EUR	EUR
Revenue from animal semen	01.62	484201	491201
Revenue from artificial insemination services	01.62	61492	69603
Revenue from livestock sale	01.42	5722	7069
Revenue from grain sale	01.11	205371	205060
Revenue from linear evaluation of cows	01.62	34403	33691
Revenue from sale of other products and services	01.19	840	120
Total		793395	814634
b) from other type of economic activities			
Revenue from milk sample collection	52.29	52677	54780
Revenue from sale of other products and services	47.99	45840	48743
Total		98517	103523
Grand total		891912	918157
21a Revenue by geographical segments		2017.	2016.
		EUR	EUR
Latvia		891802	911187
Netherlands		0	6970
Deutschland		110	0
Total		891912	918157
22 Cost of sales		2017.	2016.
		EUR	EUR
Insurance payments		3234	3432
Salaries		132557	128146
State mandatory social insurance payments		29343	29120
Forage		7643	8498
Property, plant and equipment depreciation		39784	41467
Medication		575	925
Electricity costs		8983	10058
Materials and spare parts		59610	50719
Current repair services		14136	19233
Disposal and dry waste		681	588
Natural resources tax		833	972
Gas costs		7685	6581
Fuel		41494	36826
Miscellaneous services		48540	45643
Fertilizers, seeds and chemicals		81127	82235
Other costs		16968	14518
Total		493193	478961
23 Distribution costs		2017.	2016.
		EUR	EUR
Salaries		85413	78048

State mandatory social insurance payments	19930	18107
Advertising costs	4533	4558
Immovable property tax on land and buildings	6513	5474
Expenses related to official travels	3022	11727
Transport costs	44267	58400
Writte-off of breeding bull' bio product	93103	2086
Allowance for doubtful debts	108	203
Other costs	15557	15832
Total	272446	194435
24 Administrative expenses	2017.	2016.
	EUR	EUR
Administrative personnel expenses	108888	116118
State mandatory social insurance payments	26928	27547
Transport costs	17858	16521
Communication expenses	762	1187
Office maintenance expenses	3333	2068
Property, plant and equipment depreciation	3076	3100
Legal services	1153	35
Annual report and audit expenses	14531	9049
Bank charges	710	941
Miscellaneous services	25954	26355
Representation expenses	3747	4761
Total	206940	207682
25 Other operating income	2017.	2016.
	EUR	EUR
Subsidies from the Ministry of Agriculture	49016	55531
EU financing for reconstruction and modernisation of boars'cattle-shed	0	10245
EU financing for reconstruction and modernisation of bulls'cattle-shed	917	5458
EU financing for new machinery purchase for grain industry	2253	3004
EU financing for Garāžas-darbnīcas ēkas pārbūve	8733	0
Proceeds from sale of property, plant and equipment, net	766	1084
Other income	0	429
Total	61685	75751
26 Other operating expense	2017.	2016.
	EUR	EUR
Losses from foreign currency exchange rate fluctuations, net	181	706
Other expenses	0	200
Total	181	906
27 Deferred tax expense / (benefit)	31.12.2017.	31.12.2016.
Temporary differences on unused accrued annual leaves	-24389	-18465
Temporary differences of property, plant and equipment depreciation rates	-185944	-242787
Deferred tax liabilities (+), assets (-)	-31 550	-39 188

Deferred income tax for 2017 and 2016 results in tax asset and in accordance with the precautionary principle it is not recognized.

28 Sworn auditor's remuneration	2017	2016
	EUR	EUR
Statutory audit of the Annual report	7 000	1 500
Total	7 000	1 500

29 Financial risk management

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

Financial risks

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

Currency risk

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

Liquidity risk

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

Credit risk

The Company is exposed to credit risk through its trade receivables, as well as cash. The Company manages its credit risk by continuously assessing the credit history of customers and assigning credit terms on individual basis. The Company doesn't have credit risk concentration to single partner or similar description partners group.

30 Information on significant lease contracts

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

31 Financial assistance received and other forms of financial support

During the reporting year the company received subsidies from the Ministry of Agriculture granted to boars industry EUR 4994, to bulls industry EUR 2919, area payment EUR 41103.

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

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

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

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

32 Transactions with related parties

No transactions.

33 Liabilities to former employees

The Company has no obligations to former employees.

Chairman of the Board

GATIS KAČIS

Member of the Board

SIGITA LUKAŽE

Member of the Board

MĀRTIŅŠ MUIŽNIEKS

Chief Accountant

DAIGA LIELPINKA

STATEMENT OF RESPONSIBILITY OF THE MANAGEMENT

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

The Management of Joint Stock Company "Kurzemes ciltslietu un mākslīgās apsēklošanas stacija" in accordance with information available confirms that the Annual Report for the financial year 2017 has been prepared in accordance with the requirements of the applicable laws and regulations and gives a true and fair view on the JSC "Kurzemes ciltslietu un mākslīgās apsēklošanas stacija" assets, liabilities, financial position and loss. The Management Report provides true review of JSC "Kurzemes ciltslietu un mākslīgās apsēklošanas stacija" growth and performance results.

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

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

Chairman of the Board

GATIS KAĶIS

Member of the Board

SIGITA LUKAŽE

Member of the Board

MĀRTIŅŠ MUIŽNIEKS

Chief Accountant

DAIGA LIELPINKA

Management report

28 February 2018

Company operations in the reporting period

Core activity areas of the company in 2017 remained unchanged - production of breeding bulls and boar bioproducts, grain-growing, various breeding services.

Still, the highest risks for company operations is spread of African swine fever in the territory of Latvia. Having regard that bulk of the company's customers are large farms, in addition, reinforced biosecurity measures were introduced to make sure that the disease does not enter the holding of breeding boars. Currently, the sales volume of boar semen remains unchanged.

Having estimated current stocks of semen, it has been decided to write off semen of breeding boars that has lost its genetic value in the amount of EUR 93510.38.

In 2017, the company concluded land rental agreements on rental of 150 ha of UAA, thus in 2018 there were sown 410 ha of grains. The company's turnover was also influenced by the fact that 2/3 of the harvest of 2017 due to low grain purchase prices have not been sold yet, and about at EUR 160 000 in value is in the warehouse.

In the end of the year, for development of grain-growing, a project in the value of EUR 47 200 was submitted for EU funds.

Sources of company assets, capital raising and risk management policy.

Company advantages and resources not presented in the balance sheet.

Financial results of company operations and financial standing

The company's turnover in 2017 was EUR 891912, being by 2.8 % lower than in 2016. The company's losses after payment of taxes amount to EUR 19163.

In relation to spread of African swine fever, the number of small customers of the company has decreased. Of the total boar bioproduct amount, 80% are sold at farms of large customers. Large customers work with caution and do not increase the number of sows, as a result of which the sales volume of boar semen has slightly decreased.

In the reporting period, the company received from the state and EU subsidies of EUR 49016. The subsidies have been received for boarding of breed animals and EU area payments.

In 2017, the joint stock company acquired fixed assets for the total amount of EUR 34194, incl.: two cars for EUR 11389, carried out reconstruction of melioration system in the plot of land of 31 ha for EUR 12500, for the purpose of improving biosafety measures acquired a container for storage of feed for boars for EUR 3160, acquired computer equipment for EUR 3883 and other fixed assets for EUR 3262.

In 2016, upon attraction of EU funds, a company machine holding reconstruction project (Project 'Reconstruction of the garage-workshop building' No 16-08-A 00401-999444) has been implemented for the total amount of EUR 109161.72. Upon completion of the project, in January 2017, public financing in the amount of EUR 43664.69 has been received. Melioration system reconstruction works have been carried out in the amount of EUR 15015.80 by improving work on agricultural land in the area of 37.7 ha.

Revenue of EUR 11903 relate to co-financing of structural funds of the European Union of 2017.

Financial result indicators:

Liquidity (solvency, that is, a capacity to timely and completely settle one's short-term liabilities):

Total liquidity indicator	7.74
Current liquidity indicator	3.99
Absolute liquidity indicator	3.16

Profitability (Company's success in gaining profits):

Gross profit indicator	44.70%
Profit before interest payment indicator	-2.15%
Taxable profits indicator	-2.15%
Net profits indicator	-2.15%

Availability of own funds ratio

Long-term investment coverage with own capital	1.63
Long-term investment coverage with own capital and long-term liabilities	1.65
Current asset coverage with short-term liabilities	0.13
Net circulating capital (EUR)	669265.00

Liability or solvency indicators (the company's capacity to cover short-term and long-term liabilities):

Percentage of liabilities in the balance sheet	0.07
Ratio of liabilities to own capital	0.08
Profits sufficiency to cover interest payments	-

Further development of the company and future prospects

1. To maintain existing and continue to attract new customers.
2. To optimise production and sales costs.
3. To purchase or rent additional agricultural land for the needs of grain-growing sector.
4. To continue using a possibility to attract EU funds.

Research and development measures

No research work envisaged.

Totality of company stocks or shares

The company does not have, in 2017, it has not acquired or sold its stocks.

Branches and foreign representative offices of the company

No.

Use of financial instruments and related risks

The company deals with the same financial instruments as accounts receivable and other debtors, accounts payable and other creditors directly arising from its economic activity.

Financial risks

The main financial risks related to financial instruments of the Company are the risks of currency, the risk of liquidity and the credit risk.

Currency risk

The company's monetary assets and liabilities that are exposed to the foreign currency risk include cash, accounts payable. The company is mainly exposed to the foreign currency risk in relation to the risk of USD currency.

Liquidity risk

The company controls its liquidity risk by maintaining a proper cash amount.

Credit risk

The company is exposed to the credit risk in relation to its accounts receivable and cash. The company controls its credit risk by regularly assessing customer debt settlement history and determining crediting terms and conditions for each customer individually. The company does not have significant credit risk concentrations regarding one particular transaction partner or a transaction partner group corresponding to similar characteristics.

Board Chairman

Board Member

Board Member

GATIS KAĶIS

SIGITA LUKAŽE

MĀRTIŅŠ MUIŽNIEKS

