



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

**ANNUAL REPORT
for 2019**

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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, Rīga, 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>
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>Baiba Mecauce, member of the Supervisory Board, holding 10 304 shares</i> <i>Maruta Niedrīte, member of the Supervisory Board, holding 8 307 shares</i>
Reporting period	<i>01.01.2019 – 31.12.2019</i>
Previous reporting period	<i>01.01.2018 – 31.12.2018</i>
Auditors	<i>Natālija Zaiceva</i> <i>Sworn Auditor</i> <i>Certificate No. 138</i> <i>'Oriens Audit & Finance' Ltd.</i> <i>Gunāra Astras street 8B</i> <i>Rīga, LV-1082, Latvia</i> <i>Sworn Auditors' Commercial Company's license No. 28</i>

Management Report

Types of Operations

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

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

The Company's net turnover in 2019 was 1.2 million euros, which is by 62 thousand euros or 5.5% bigger than in 2018.

The proportion of the revenue from the Company's basic economic activities, if compared to year 2018, had not changed substantially – the revenue from the sales of the bull semen comprised 54.8% of the net turnover, whereas the milk laboratory services and processing of supervisory data services, taken together, accounted for 36.0% of the net turnover.

In 2019 the revaluation of the investment properties into actual value resulted in profit of 2 thousand euros, and in 2018 it also accounted for the same amount of earnings – 2 thousand euros.

2019 ended with a profit of 50 thousand euros. Compared to 2018, profit before taxes for the reporting year has increased by 61 thousand euros, mainly due to the increase in net turnover.

In 2019 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.

The outbreak of COVID-19 will not have a substantial impact on the Company's operations, financial situation and economic performance.

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 proposal of the Board is – not to use up the profit of the reporting year, but instead to pay out the retained earnings of 33 795.20 euro, shown in the balance sheet as at December 31, 2017, in dividends, 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*

20 March 2020

Profit or loss account

	Note	2019 EUR	2018 EUR
Net sales	3	1 188 527	1 126 778
a) from agricultural activities		1 188 527	1 126 778
Changes in stock of ready-made goods and unfinished products	4	10 219	17 874
Other operating income	5	36 036	22 992
Costs of materials:		(531 271)	(511 496)
a) raw materials and auxiliary costs of materials		(424 415)	(408 943)
b) other external costs		(106 856)	(102 553)
Personnel costs:	6	(465 076)	(487 067)
a) salaries for work		(366 701)	(385 412)
b) state social insurance compulsory contributions		(86 480)	(91 481)
c) other social insurance costs		(11 895)	(10 174)
Depreciation adjustments:		(101 982)	(85 987)
a) depreciation adjustments of fixed and intangible assets		(51 252)	(52 784)
b) depreciation adjustments of current assets which the company considers to be above the normal write-off amounts		(50 730)	(33 203)
Other operating costs	7	(86 110)	(93 913)
Profit or loss before enterprise income tax		50 343	(10 819)
Enterprise income tax for the reporting year		-	-
Profit or loss after enterprise income tax calculation		50 343	(10 819)
The profit or loss for the year		50 343	(10 819)
Equity per 1 share (EPS)	17	0.119	(0.026)

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

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Chairman of the Management Board

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Member of the Management Board

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

20 March 2020

Balance sheet

Assets	Note	2019 EUR	2018 EUR
Long-term investments			
Intangible assets			
Concessions, patents, licenses, trademarks and similar rights		5 014	6 966
Intangible assets total	8	5 014	6 966
Fixed assets (fixed assets, investment properties)			
Fixed assets			
Immovable properties - land parcels, buildings and constructions		162 692	141 649
Productive animals and perennial plantings		53 627	60 238
Technological equipment and machinery		4 015	5 475
Other fixed assets and inventory		35 262	34 078
Fixed assets total	9	255 596	241 440
Investment properties	10	61 000	59 000
Long-term financial investments			
Other securities and investments	11	684	684
Long-term financial investments total		684	684
Long-term investments total		322 294	308 090
Current assets			
Stock			
Raw materials, basic materials and auxiliary materials		21 381	20 822
Ready-made goods and goods for sale	12	729 769	703 468
Prepayments for goods		117	658
Stock total		751 267	724 948
Receivables			
Trade receivables	13	222 707	220 749
Other receivables	14	795	11 394
Prepaid expenses	15	11 147	11 329
Accrued income		30 057	-
Receivables total		264 706	243 472
Cash	16	251 608	295 972
Current assets total		1 267 581	1 264 392
Assets total		1 589 875	1 572 482

Balance sheet

Shareholders' equity and liabilities	Note	2019 EUR	2018 EUR
Shareholders' equity			
Share capital	17	591 416	591 416
Other reserves	18	-	1 213
Retained earnings or loss carried forward from previous years		860 743	904 144
Profit or loss of the reporting year		50 343	(10 819)
Shareholders' equity total		1 502 502	1 485 954
Payables			
Short-term payables			
Prepayment received from customers		738	770
Trade payables		18 196	19 581
Taxes and social insurance payments	19	37 285	33 982
Other payables		19 931	20 216
Accrued liabilities	20	11 223	11 979
Short-term payables total		87 373	86 528
Payables total		87 373	86 528
Shareholders' equity and liabilities total		1 589 875	1 572 482

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20 March 2020

Cash flow statement

	Note	2019 EUR	2018 EUR
Cash flow from operating activities			
Income from sale of goods and provision of services		1 384 183	1 310 459
Payments to suppliers, employees, other expenses arising from basic operations		(1 323 358)	(1 302 885)
Gross cash flow from basic operations		60 825	7 574
Expenses for enterprise income tax payments		-	-
Net cash flow from operating activities		60 825	7 574
Cash flow from investing activities			
Purchase of fixed assets and intangible investments		(91 494)	(32 852)
Income from dispossession of fixed assets		11 583	11 516
Net cash flow from investing activities		(79 911)	(21 336)
Cash flow from financing activities			
Subsidies received as a state support		9 671	10 716
Dividends paid		(33 795)	(33 795)
Net cash flow from financing activities		(24 124)	(23 079)
Result of foreign exchange rate fluctuations		(1 154)	(335)
Net increase or decrease of cash and its equivalents		(44 364)	(37 176)
Cash and its equivalents balance at the beginning of the reporting year		295 972	333 148
Cash and its equivalents balance at the end of the reporting year	16	251 608	295 972

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20 March 2020

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
31.12.2017	591 416	1 213	872 141	65 798	1 530 568
Profit of 2017 transferred to retained earnings of previous years	-	-	65 798	(65 798)	-
Dividends for 2017	-	-	(33 795)	-	(33 795)
Profit for the reporting year	-	-	-	(10 819)	(10 819)
31.12.2018	591 416	1 213	904 144	(10 819)	1 485 954
Losses of 2018 are covered from retained earnings of previous years	-	-	(10 819)	10 819	-
Dividends for 2018	-	-	(33 795)	-	(33 795)
Reserves, redirected to retained earnings of previous years	-	(1 213)	1 213	-	-
Profit of the reporting year	-	-	-	50 343	50 343
31.12.2019	591 416	-	860 743	50 343	1 502 502

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20 March 2020

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. According to Section 5 of the Law on Annual Reports and Consolidated Annual reports, the Company is classified as a small company according to the last two years figures. Taking into account the legal requirements for commercial companies whose transferable securities are listed on a regulated market, the Company applies requirements that are binding on a large company. 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.

In the preparation of the profit and loss account, a previous reporting year's negligence error was discovered in the reporting year - other operating income included loss of disposal of fixed assets - 23 180 euro, which had to be included in other operating expenses.

		2018 EUR	2018 EUR	2018 EUR
	Note	before correction	reclassification	after correction
Other operating income	5	(188)	23 180	22 992
Other operating costs	7	(70 733)	(23 180)	(93 913)

The error did not affect the figures of the corresponding positions in the previous year's financial statement.

The comparative figures for 2018 have been adjusted accordingly to ensure comparability of items in the reporting year.

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;

Notes to the Financial Statements

- reporting year related income and costs were recognized irrespective of the payment date and the date of receipt or issuance of invoice. Costs have been agreed with the income in the reporting period;
- components of asset and liabilities items have been recognized separately;
- the opening balance of the reporting year agrees with the closing balance of the previous year;
- all items have been recognized, which materially influence assessment or decision-making process of the users of the annual report, insignificant items are merged and they are detailed in the Appendix;
- operating transactions in the reporting year have been recognized in the Financial Statements by taking into account their economic substance and contents, rather than legal form.

Financial instruments

Fair value of financial assets and liabilities

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

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 2019.

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.

	31.12.2019	31.12.2018
USD	1.12340	1.14500

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.

Notes to the Financial Statements

Interest

Income is recognized according to the respective period of time.

Long-term and short-term items

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

Leasing transactions

Financial leasing

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

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.

The Company capitalizes its fixed assets valued over 70 euro with useful life exceeding one year. Depreciation for improvements and other low costs items with the value less than 70 euro is recognized by 100 % after commissioning.

If sufficient evidence is acquired that the future economic benefit associated with subsequent repair or reconstruction costs will flow to the Company, which exceeds the return set previously, costs are capitalized as additional costs to the fixed asset.

Net gains or losses from disposal of fixed assets is calculated as the difference between the carrying amount of the fixed asset and proceeds from sale, and recognized in the income statements during the period when disposal are incurred.

If it is possible to conclude due to any kind of occurrence or circumstances that residual value of fixed or intangible assets could not reach its recoverable value, appropriate value of fixed or intangible asset is to be decreased until recoverable value. Recoverable value is calculated as the highest of fair value less costs to sell or value in use.

Productive animals meet the value criteria of fixed assets and are included in fixed assets. Productive animals are stated at cost up to the time of their exclusion.

Notes to the Financial Statements

Investment properties

Investment property is property (land plots, building or part of building) held by the owner or by lessee under a finance lease to earn rentals or for capital appreciation rather than use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business. For the land with uncertain future use (if the Company has not determined that it will use the land as owner occupied or short term sale in the ordinary course of business, it is assumed that land is held for capital appreciation), it is classified as investment property.

Investment property of the company – 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.

Evaluation using a comparable transaction method was carried out by a certified evaluator:

2019 – LTD 'Eiroeksperts'

2018 – LTD 'Eiroeksperts'

Stock

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

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

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

Trade receivables and other receivables

In the balance sheet receivables are recognized in the recoverable value, provisions for doubtful receivables having been deducted. Provisions for doubtful 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 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.

Cash

For the purposes of the cash flow statement, cash and cash equivalents comprise cash, the balances of the current bank account and other current liquid financial assets with maturities up to 90 days.

Provisions

Provisions are liabilities related to current or previous years events and at the preparation of financial statements it is probable that an outflow of resources will be required to settle the obligation and its amount can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation.

Notes to the Financial Statements

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 and all material conditions for the grant are fulfilled.

Taxes

Corporate income tax for the financial year

Corporate income tax is payable on the distribution of profits and the conditional distribution of profits. Distributed and notionally distributed profits are taxed at the rate of 20 percent of the gross amount, or 20/80 of net costs. Corporate income tax on the payment of dividends is recognized in the profit and loss account as an expense in the period in which the dividends are declared and, in the case of other retained earnings, as incurred.

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	2019 EUR	2018 EUR
Sale of Livestock sperm	651 766	591 822
Milk laboratory services	328 749	309 211
Treatment of supervisory data	98 539	104 594
Artificial insemination of livestock	32 447	39 431
Other income	77 026	81 720
	1 188 527	1 126 778

Distribution of net sales according to the geographical markets:

	2019 EUR	2018 EUR
Latvia	1 188 527	1 126 778
	1 188 527	1 126 778

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

	2019 EUR	2018 EUR
Changes in sperm stock value	33 124	40 668
Written-off sperm	(22 905)	(22 794)
	10 219	17 874

(5) Other operating income

	2019 EUR	2018 EUR
Profit from investment property revaluation	2 000	2 000
State support for agricultural	9 671	10 716
Recovered doubtful and bad debts	24 341	10 274
Other income	24	2
	36 036	22 992

Notes to the Financial Statements

(6) Personnel costs

	2019	2018
	EUR	EUR
Salaries for work	350 598	368 318
Life insurance with cash value accrual	16 699	15 664
State social insurance contributions	86 640	91 090
Changes in liabilities to personnel for unused vacation	(756)	1 821
Health insurance	8 850	8 765
Other costs	3 045	1 409
	465 076	487 067

(7) Other operating expenses

	2019	2018
	EUR	EUR
Insurance payments	4 702	5 049
Business trip expenses	2 975	3 661
Selling expenses	2 189	1 864
The costs of accreditation and employee training	2 059	1 572
The costs of security services	1 328	1 438
Taxes applied on the vehicles	695	1 946
Company's management and administrative expenses	9 143	11 044
Regulated securities market expenses	10 691	10 674
Mandatory audit of the annual report	3 600	1 600
Loss from foreign currency exchange rate fluctuations	1 584	1 053
Net loss from dispossession of fixed assets	16 455	23 180
Employees' leisure and similar costs	16 627	19 112
Real estate tax	1 855	1 853
Other costs	12 207	9 867
	86 110	93 913

Notes to the Financial Statements

(8) Intangible assets

	Concessions, patents, licenses, trademarks and similar rights EUR
Initial value	
31.12.2018	10 785
Purchased	-
Disposed	-
31.12.2019	10 785
Accrued depreciation adjustments	
31.12.2018	3 819
Annual write-off of the value	1 952
Adjustments to accrued depreciation of excluded intangible assets	-
31.12.2019	5 771
Book value as at 31.12.2018	6 966
Book value as at 31.12.2019	5 014

	Concessions, patents, licenses, trademarks and similar rights EUR
Initial value	
31.12.2017	10 785
Purchased	-
Disposed	-
31.12.2018	10 785
Accrued depreciation adjustments	
31.12.2017	1 867
Annual write-off of the value	1 952
Adjustments to accrued depreciation of excluded intangible assets	-
31.12.2018	3 819
Book value as at 31.12.2017	8 918
Book value as at 31.12.2018	6 966

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					
31.12.2018	427 659	75 614	329 177	303 057	1 135 507
Purchased	39 835	21 427	-	30 232	91 494
Dispossessed or liquidated	-	(28 038)	(22 113)	(39 989)	(90 140)
31.12.2019	467 494	69 003	307 064	293 300	1 136 861
Accrued depreciation adjustments					
31.12.2018	286 010	15 376	323 702	268 979	894 067
Calculated depreciation	18 792	-	1 460	29 009	49 261
Depreciation of dispossessed or liquidated fixed assets	-	-	(22 113)	(39 950)	(62 063)
31.12.2019	304 802	15 376	303 049	258 038	881 265
Book value as on 31.12.2018	141 649	60 238	5 475	34 078	241 440
Book value as on 31.12.2019	162 692	53 627	4 015	35 262	255 596

As on 31 December 2019, 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					
31.12.2017	427 659	88 660	329 177	307 914	1 153 410
Purchased	-	21 650	-	11 202	32 852
Dispossessed or liquidated	-	(34 696)	-	(16 059)	(50 755)
31.12.2018	427 659	75 614	329 177	303 057	1 135 507
Accrued depreciation adjustments					
31.12.2017	267 217	15 376	318 068	258 633	859 294
Calculated depreciation	18 793	-	5 634	26 378	50 805
Depreciation of dispossessed or liquidated fixed assets	-	-	-	(16 032)	(16 032)
31.12.2018	286 010	15 376	323 702	268 979	894 067
Book value as on 31.12.2017	160 442	73 284	11 109	49 281	294 116
Book value as on 31.12.2018	141 649	60 238	5 475	34 078	241 440

As on 31 December 2018, the cadastral value of **real estate – land and constructions** – was **EUR 158 087**.

Notes to the Financial Statements

(10) Investment properties

	Land
	EUR
Book value as on 31.12.2017	57 000
Increase/decrease of value due to revaluation	2 000
Book value as on 31.12.2018	59 000
Increase/decrease of value due to revaluation	2 000
Book value as on 31.12.2019	61 000

(11) Other securities and investments

	EUR
Purchase value as on 31.12.2018	684
Book value as on 31.12.2018	684
Purchase value as on 31.12.2019	684
Book value as on 31.12.2019	684

(12) Ready-made products and goods for sale

	2019	2018
	EUR	EUR
Bull semen	718 607	696 525
Other goods for sale	11 162	6 943
	729 769	703 468

(13) Trade receivables

	2019	2018
	EUR	EUR
Accounting value of trade receivables	292 920	285 813
Provisions for doubtful trade receivables	(70 213)	(65 064)
	222 707	220 749

Notes to the Financial Statements

(14) Other receivables

	2019 EUR	2018 EUR
VAT for received goods and services	794	760
Overpayment of enterprise income tax	-	9 126
Other receivables	1	1 508
	<u>795</u>	<u>11 394</u>

(15) Prepaid expenses

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

	2019 EUR	2018 EUR
Advertising costs	118	253
Insurance	8 890	8 990
Press and legislation updates' subscription	1 207	1 172
Server maintenance and similar costs	258	356
Other prepaid expenses	674	558
	<u>11 147</u>	<u>11 329</u>

(16) Cash

Break-down of cash according to currencies:

		2019		2018	
		Currency	EUR	Currency	EUR
Cash in hand	EUR	-	2 869	-	1 643
Cash in bank	EUR	-	248 739	-	294 329
			<u>251 608</u>		<u>295 972</u>

(17) 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 31.12.2019 is 422 440, the nominal value of one share is 1.40 euro.

The total number of shares as per 31.12.2018 was 422 440, the nominal value of one share – 1.40 euro.

	2019 EUR	2018 EUR
Bearer shares with voting rights	590 016	590 016
Shares owned by the Board without voting rights	1 400	1 400
	<u>591 416</u>	<u>591 416</u>

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.

Notes to the Financial Statements

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

	2019	2018
	16.04.2019	12.04.2018
	%	%
'Siguldas mākslīgās apsēklošanas stacija' Ltd	49.92	49.92
Oļegs Radčenko	5.20	5.20
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
Baiba Mecauce, member of the Supervisory Board	2.44	2.44
Maruta Niedrīte, member of the Supervisory Board	1.97	1.97
Sarmīte Arcimoviča, member of the Management Board	0.91	0.91
Valda Mālniece, member of the Management Board	3.31	3.31
Other shareholders	34.39	34.39
	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.

	2019	2018
	number	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.

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.

	2019	2018
	EUR	EUR
Profit or loss of the reporting period	50 343	(10 819)
Average weighted number of shares during the year	422 440	422 440
	0.119	(0.026)

(18) Other Reserves

	2019	2018
	EUR	EUR
The difference of the share value resulting from the denomination of the Company's shares from lats to euro	-	1 213
	-	1 213

Notes to the Financial Statements

(19) Taxes and social insurance payments

Tax type	2019 EUR	2018 EUR
Value added tax	17 054	13 414
Personal income tax	6 604	6 651
Social insurance payments	13 563	13 856
Nature resource tax	51	47
Business risk state fee	13	14
	37 285	33 982

Tax overpaid declared in position 'Other receivables'

(20) Accrued liabilities

	2019 EUR	2018 EUR
Calculated liabilities to personnel for unused vacation	11 223	11 979
	11 223	11 979

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

	2019 EUR	2018 EUR
Remuneration to five Supervisory Board members for execution of functions, including social insurance payments	8 849	10 474
Remuneration to three Management Board members for execution of functions, including social insurance payments	42 819	51 147
Total remuneration to the management members	51 668	61 621

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.

(22) Average number of employees

	2019 number	2018 number
Supervisory Board members (all employees perform the functions of the Supervisory Board member as an extra work in addition to principal work duties)	3	3
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	30
Total average number of employees	35	36

Notes to the Financial Statements

(23) 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.

The outbreak of COVID-19 will not have a substantial impact on the Company's operations, financial situation and economic performance.

Report on Management Liability

The management of JSC 'Siguldas ciltslietu un mākslīgās apsēklošanas stacija' (hereinafter - the Company) is responsible for the preparation of the financial statements of the Company. The financial statements are prepared in accordance with the source documents and present fairly the financial position of the Company as of 31 December 2019 and the results of their operations and cash flows for the year then ended.

The Management Board confirms that the financial statements and notes to the financial statements contained on pp. 3-22 have been prepared on the basis of source documents and the decisions adopted and the assessments made were conservative and prudent. The accounting policy compared to the preceding year has not changed. The Management Board confirms that the financial statements have been prepared on a going-concern basis

The Management is responsible for keeping a proper accounting system, preservation of Company's assets, and for detection and prevention of fraud and other irregularities in the Company. The Management is also responsible for compliance with the requirements of Latvian laws as well as European Union regulations applicable to the Company.

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*

20 March 2020



Independent Auditor's Report

To the shareholders of JSC "Siguldas ciltslietu un mākslīgās apsēklošanas stacija"

Our Opinion on the Financial Statements

We have audited the accompanying financial statements of JSC "Siguldas ciltslietu un mākslīgās apsēklošanas stacija" ("the Company") set out on pages 5 to 23 of the accompanying annual report, which comprise:

- the balance sheet as at 31 December 2019,
- 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 JSC "Siguldas ciltslietu un mākslīgās apsēklošanas stacija" as at 31 December 2019, 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 International Code of Ethics for Professional Accountants (including International Independence Standards) 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 International Code of Ethics for Professional Accountants (including International Independence Standards) and Law on Audit Services of the Republic of Latvia.

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

Key Audit Matters

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

We have determined the matter described below to be the key audit matter to be communicated in our report.



Key audit matter	How our audit addressed that matter
<p><i>Inventory valuation</i></p> <p>As disclosed in Note 12 to the financial statements, as of December 31, 2019, the Company's finished goods and goods for sale amount to EUR 729,769, which is 45% of the Company's total assets as of December 31, 2019. The calculation of the cost of the inventory is complex process due to specifics of the Company's operation. The process requires management assumptions regarding allocation of the production overhead costs. Due to the above circumstances, we consider valuation of inventory to be a key audit matter.</p>	<p>We obtained an understanding of the manufacturing process by discussing it with the Company's management and evaluated whether the accounting policies for inventory valuation meet the requirements of the Latvian legislation.</p> <p>On a random selection basis, we tested the adequacy of costing of specific goods items.</p> <p>We performed analytical procedures over accuracy of the costing elements and cost of inventory by comparing them to prior periods.</p> <p>We selected a sample of finished goods and compared their book value to the subsequent selling price to identify whether the selling price of any items was lower than the book value.</p> <p>We have also assessed whether the disclosures in the financial statements are in accordance with Latvian legislation.</p>

Other Matter

Reporting on Other Information

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

- Information about the Company, as set out on page 3 of the accompanying Annual Report,
- the Management Report, as set out on page 4 of the accompanying Annual Report,
- the Statement on Management Responsibility, as set out on page 24 of the accompanying Annual Report,
- Corporate Governance Report prepared by the Company and submitted to Nasdaq Riga AS along with 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 related to other information* 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 related to other information

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



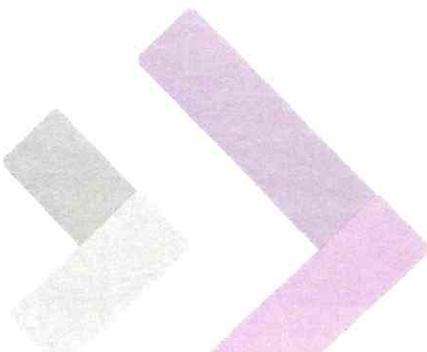
detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- 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.





Report on other legal and regulatory requirements

We were appointed as auditors by shareholders' resolution of 26 April 2019 to audit the financial statements of JSC "Siguldas ciltslietu un mākslīgās apsēklošanas stacija" for the year ended 31 December 2019. Our audit engagement term is 1 (one) year.

During the period covered by our statutory audit, we have not provided other services to the Company in addition to the audit.

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

Member of the Board of Orients Audit & Finance SIA
Commercial Company License No.28

Rīga, Latvia
20 March, 2020



Natālija Zaiceva
Sworn Auditor
Certificate No.138

