



**Joint stock company
SIGULDAS CILTSLIETU UN
MĀKSLĪGĀS APSEKLOŠANAS
STACIJA**

**INTERIM REPORT
for twelve months of 2014**

Index of Contents

| | Page |
|---|-------------|
| Information on the Company | 3 |
| Management Report | 4 |
| Profit or Loss Account | 5 |
| Balance sheet | 6 |
| Cash flow statement | 8 |
| Statement on changes in shareholders' equity | 9 |
| Notes to the Financial Statements | 10 |
| Report on Management Liability | 22 |

Information on the Company

| | |
|--|---|
| Company's name | <i>SIGULDAS CILTSLIETU UN MĀKSLĪGĀS APSĒKLOŠANAS STACIJA</i> |
| Company's legal status | <i>Joint stock company</i> |
| Registration number, place and date | <i>40003013295, Riga, 26 July 1991</i> <i>Registration in the Commercial Register on 19 June 2004</i> |
| Legal address | <i>„Kalnabeites” 8, Sigulda parish, Sigulda area, LV-2150</i> |
| Shareholders holding more than 5% of the total number of voting shares | <i>SIA „Siguldas mākslīgās apsēklošanas stacija” (49.8%), registration No. 40003311954</i> <i>Oļegs Radčenko (5.18%)</i> |
| Members of the Board | <i>Nils Ivars Feodorovs, Chairman of the Board</i> <i>Sarmīte Arcimoviča, Member of the Board</i> <i>Valda Mālniece, Member of the Board</i> |
| Members of the Council | <i>Inīta Bedrīte, Chairman of the Council</i> <i>Maija Beča, Deputy Chairman of the Council</i> <i>Ērika Everte, Member of the Council</i> <i>Solvīta Arcimoviča, Member of the Council</i> <i>Jekaterina Kreise, Member of the Council</i> |
| Reporting year | <i>01.01.2014 – 31.12.2014</i> |
| Auditors | <i>Anīta Sondore</i> <i>Sworn Auditor</i> <i>Certificate No. 129</i> <i>AUDITS A.S., SIA</i> <i>„Pīlādži”, Līgatne parish,</i> <i>Līgatne area, LV-4108, Latvia</i> <i>Sworn Auditors' Commercial Company's license No. 27</i> |

Management Report

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 monitoring data.

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

The Company’s net turnover in 2014 was 1.1 million euros, which is by 61 thousand euros or 5.6% more than in 2013. The proportion of the revenue from the Company’s basic economic activities, if compared to year 2013, had not changed substantially – the revenue from the sales of the bull semen comprised 53.1% of the net turnover, whereas the milk testing and monitoring data processing services, taken together, accounted for 35.6% of the net turnover.

Compared to 2013, the profit before taxes for the reporting year had increased by 96 thousand euros, comprising 183 thousand euros. In 2014 the revaluation of the investment properties into the actual value resulted in earnings of 25 thousand euros.

The Company’s commercial profitability in 2014 was 15.9%, comprising an increase of 8% points if compared to 2013. By expanding Company’s market share in Latvia, the revenue from the sales of the bull semen had gone up by 5%. The purchase of a modern production equipment and good deals on the purchase of bulls from abroad in the preceding reporting year had resulted in an increase of the proportion of the Company’s home-produced bull semen, comprising 80% of the total dosages sold.

Future Prospects and Development

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

Post-Balance-Sheet Events

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

Branches and Representative Offices Abroad

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

Nils Ivars Feodorovs
Chairman of the Board

Sarmīte Arcimoviča
Member of the Board

Valda Mālniece
Member of the Board

27 February 2015

Profit or loss account for the period ended 31 December 2014

| | Note | 2014 EUR | 2013 EUR |
|---|------|----------------|---------------|
| Net sales | 3 | 1 148 420 | 1 087 470 |
| Changes in stock of ready-made goods and unfinished products | 4 | 23 855 | 18 203 |
| Other operating income | 5 | 11 641 | 7 366 |
| Costs of materials: | | (448 525) | (462 412) |
| a) raw materials and auxiliary costs of materials | | (332 379) | (351 381) |
| b) other external costs | | (116 146) | (111 031) |
| Personnel costs: | 6 | (464 261) | (428 229) |
| a) salaries for work | | (370 349) | (338 466) |
| b) state social insurance compulsory contributions | | (84 417) | (78 909) |
| c) other social insurance costs | | (9 495) | (10 854) |
| Write-off of assets and values: | | (62 394) | (54 439) |
| a) depreciation of fixed assets and amortization of intangible assets | | (45 850) | (48 016) |
| b) write-off of value of current assets above the normal deductions | | (16 544) | (6 423) |
| Other operating costs | 7 | (43 565) | (41 309) |
| Other interest income and similar income | 8 | 28 874 | 3 550 |
| Interest payments and similar costs | 9 | (11 040) | (43 017) |
| Profit or losses before taxes | | 183 005 | 87 183 |
| Enterprise income tax for the reporting year | | (26 164) | (15 279) |
| Deferred tax | 24 | 710 | (197) |
| Other taxes | 10 | (1 635) | (1 612) |
| The profit or loss for the year | | 155 916 | 70 095 |
| Equity per 1 share (EPS) | 22 | 0.369 | 0.166 |

Notes on pages 10 to 21 form an integral part of these financial statements.

Nils Ivars Feodorovs
Chairman of the Board

Sarmīte Arcimoviča
Member of the Board

Valda Mālniece
Member of the Board

27 February 2015

Balance sheet as at 31 December 2014

| Assets | Note | 2014 EUR | 2013 EUR |
|---|------|------------------|------------------|
| Long-term investments | | | |
| Fixed assets | | | |
| Land parcels, buildings and constructions and perennial plantings | | 140 892 | 156 768 |
| Equipment and machinery | | 52 979 | 61 221 |
| Other fixed assets and inventory | | 10 493 | 10 355 |
| Fixed assets total | 12 | 204 364 | 228 344 |
| Investment properties | 13 | 112 000 | 86 795 |
| Biological assets | | 73 475 | 71 225 |
| Long-term financial investments | | | |
| Investments in capital of associated companies | 14 | 83 954 | 83 954 |
| Other securities and investments | 15 | 683 | 683 |
| Long-term financial investments total | | 84 637 | 84 637 |
| Long-term investments total | | 474 476 | 471 001 |
| Current assets | | | |
| Stock | | | |
| Raw materials, basic materials and auxiliary materials | | 23 112 | 16 035 |
| Ready-made goods and goods for sale | 16 | 542 671 | 497 382 |
| Prepayments for goods | | 519 | 691 |
| Stock total | | 566 302 | 514 108 |
| Receivables | | | |
| Trade receivables | 17 | 148 702 | 142 614 |
| Other receivables | 18 | 919 | 2 683 |
| Prepaid expenses | 19 | 6 984 | 7 646 |
| Receivables total | | 156 605 | 152 943 |
| Short-term financial investments | | | |
| Other securities and shareholding in capitals | 20 | - | 31 117 |
| Short-term financial investments total | | - | 31 117 |
| Cash | 21 | 367 140 | 265 904 |
| Current assets total | | 1 090 047 | 964 072 |
| Assets total | | 1 564 523 | 1 435 073 |

Balance sheet as at 31 December 2014

| Shareholders' equity and liabilities | Note | 2014 EUR | 2013 EUR |
|---|-------------|---------------------|---------------------|
| Shareholders' equity | | | |
| Share capital | 22 | 601 078 | 601 078 |
| Retained earnings: | | | |
| Retained earnings carried forward from previous years | | 711 538 | 700 585 |
| Retained earnings of the reporting year | | 155 916 | 70 095 |
| Shareholders' equity total | | 1 468 532 | 1 371 758 |
| Provisions | | | |
| Other provisions | 23 | 7 483 | 6 926 |
| Provisions total | | 7 483 | 6 926 |
| Payables | | | |
| Long-term payables | | | |
| Deferred tax liabilities | 24 | 3 840 | 4 550 |
| Long-term payables total | | 3 840 | 4 550 |
| Short-term payables | | | |
| Prepayment received from customers | | 182 | 618 |
| Trade payables | | 22 533 | 38 117 |
| Taxes and social insurance payments | 25 | 45 353 | 13 104 |
| Other payables | | 16 600 | - |
| Short-term payables total | | 84 668 | 51 839 |
| Payables total | | 88 508 | 56 389 |
| Shareholders' equity and liabilities total | | 1 564 523 | 1 435 073 |

Notes on pages 10 to 21 form an integral part of these financial statements.

Nils Ivars Feodorovs
Chairman of the Board

Sarmīte Arcimoviča
Member of the Board

Valda Mālniece
Member of the Board

27 February 2015

Cash flow statement for the period ended 31 December 2014

| | Note | 2014 EUR | 2013 EUR |
|--|------|-----------------|-----------------|
| Cash flow from operating activities | | | |
| Income from sale of goods and provision of services | | 1 371 056 | 1 280 967 |
| Payments to suppliers, employees, other expenses arising from basic operations | | (1 216 706) | (1 209 190) |
| Gross cash flow from basic operations | | 154 350 | 71 777 |
| Expenses for enterprise income tax payments | | (14 217) | (18 574) |
| Net cash flow from operating activities | | 140 133 | 53 203 |
| Cash flow from investing activities | | | |
| Purchase of capital shares of associated company | | - | (552) |
| Purchase of fixed assets and intangible investments | | (22 048) | (33 679) |
| Income from exclusion of fixed assets | | 2 727 | - |
| Dividends received | | - | 1 839 |
| Income from the sales of securities | | 31 153 | - |
| Net cash flow from investing activities | | 11 832 | (32 392) |
| Cash flow from financing activities | | | |
| Subsidies received as a state support | | 9 092 | 7 366 |
| Dividends paid | | (59 142) | (60 108) |
| Net cash flow from financing activities | | (50 050) | (52 742) |
| Result of foreign exchange rate fluctuations | | | |
| | | (679) | (530) |
| Increase/ decrease of cash and its equivalents | | 101 236 | (32 461) |
| Cash and its equivalents at the beginning of the period | | 265 904 | 298 365 |
| Cash and its equivalents at the end of the period | 21 | 367 140 | 265 904 |

Notes on pages 10 to 21 form an integral part of these financial statements.

Nils Ivars Feodorovs
Chairman of the Board

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Member of the Board

27 February 2015

**Statement on changes in shareholders' equity for the period ending
31 December 2014**

| | Share capital | Retained earnings carried forward from previous years | Retained earnings for the reporting year | Shareholders' equity total |
|--|----------------|---|--|----------------------------|
| | EUR | EUR | EUR | EUR |
| 31.12.2012 | 601 078 | 678 906 | 81 787 | 1 361 771 |
| Profit for 2012 transferred to retained earnings of previous years | - | 81 787 | (81 787) | - |
| Dividends for 2012 | - | (60 108) | - | (60 108) |
| Retained earnings for the reporting year | - | - | 70 095 | 70 095 |
| 31.12.2013 | 601 078 | 700 585 | 70 095 | 1 371 758 |
| Profit for 2013 transferred to retained earnings of previous years | - | 70 095 | (70 095) | - |
| Dividends for 2013 | - | (59 142) | - | (59 142) |
| Retained earnings for the reporting year | - | - | 155 916 | 155 916 |
| 31.12.2014 | 601 078 | 711 538 | 155 916 | 1 468 532 |

Notes on pages 10 to 21 form an integral part of these financial statements.

Nils Ivars Feodorovs
Chairman of the Board

Sarmīte Arcimoviča
Member of the Board

Valda Mālniece
Member of the Board

27 February 2015

Notes to the Financial Statements

(1) General information on the Company

AS „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* of the Republic of Latvia. The Profit or Loss Account was prepared based on the period costs method. The Cash Flow Statement was prepared according to the direct method.

Accounting principles used

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

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

Financial instruments

Fair value of financial assets and liabilities

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

Notes to the Financial Statements

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 2014.

Revaluation of foreign currencies

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

All showings of the year 2013 have been converted into euro according to the fixed foreign exchange rate for converting lats into euro (1 EUR = 0.702804 LVL) determined by the Council of the European Union.

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.

| | 31.12.2014 | 31.12.2013 |
|-----|-------------------|-------------------|
| USD | 1.21410 | 1.36467 |

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

Recognition of income

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

Sale of goods

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

Provision of services

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

Penalty and delay charges

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

Interest

Income is recognized according to the respective period of time.

Long-term and short-term items

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

Notes to the Financial Statements

Leasing transactions

Financial leasing

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

Intangible assets and fixed assets

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

Intangible assets:

| | |
|----------|---------|
| Licenses | 5 years |
|----------|---------|

Fixed assets:

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

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

Investment properties

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

Biological assets

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

Stock

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

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

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

Notes to the Financial Statements

Trade receivables and other receivables

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

Provisions

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

Corporate income tax

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

Calculated tax

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

Deferred tax

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

Subsidies

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

Use of assumptions

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

Notes to the Financial Statements

(3) Net sales

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

| Type of operations | 2014 EUR | 2013 EUR |
|--------------------------------------|------------------|------------------|
| Livestock sperm | 609 809 | 580 509 |
| Milk laboratory services | 291 562 | 277 358 |
| Treatment of supervisory data | 117 796 | 105 044 |
| Cow exterior appraisal | 6 654 | 5 027 |
| Artificial insemination of livestock | 44 688 | 42 625 |
| Other income | 77 911 | 76 907 |
| | 1 148 420 | 1 087 470 |

Distribution of net sales according to the geographical markets:

| | 2014 EUR | 2013 EUR |
|--------|------------------|------------------|
| Latvia | 1 148 420 | 1 087 470 |
| | 1 148 420 | 1 087 470 |

Earnings from agricultural activities represented in net sales:

| | 2014 EUR | 2013 EUR |
|---------------------------------------|------------------|------------------|
| Earnings from agricultural activities | 1 148 420 | 1 087 470 |
| | 1 148 420 | 1 087 470 |

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

| | 2014 EUR | 2013 EUR |
|---------------------------------|---------------|---------------|
| Changes in sperm stock value | 40 641 | 22 293 |
| Written-off sperm | (19 037) | (14 170) |
| Changes in stud bull herd value | 2 251 | 10 080 |
| | 23 855 | 18 203 |

(5) Other operating income

| | 2014 EUR | 2013 EUR |
|--|---------------|--------------|
| Revenue from exclusion of fixed assets | 2 549 | - |
| State support for agricultural | 9 092 | 7 366 |
| | 11 641 | 7 366 |

Notes to the Financial Statements

(6) Personnel costs

| | 2014 | 2013 |
|--|----------------|----------------|
| | EUR | EUR |
| Salaries for work | 357 601 | 326 400 |
| Life insurance with cash value accrual | 12 268 | 13 064 |
| State social insurance contributions | 84 340 | 79 161 |
| Changes in provisions for vacation reserve | 557 | (1 250) |
| Health insurance | 7 562 | 7 427 |
| Other costs | 1 933 | 3 427 |
| | 464 261 | 428 229 |

(7) Other operating expenses

| | 2014 | 2013 |
|--|---------------|---------------|
| | EUR | EUR |
| Insurance payments | 1 663 | 1 529 |
| Business trip expenses | 5 318 | 2 593 |
| Selling expenses | 1 615 | 2 571 |
| The costs of accreditation and employee training | 1 523 | 2 646 |
| The costs of security services | 1 270 | 1 270 |
| Taxes applied on the vehicles | 1 830 | 1 734 |
| Company's management and administrative expenses | 9 305 | 10 815 |
| Regulated securities market expenses | 9 549 | 8 992 |
| Audit of the financial statement | 1 600 | 1 707 |
| Other costs | 9 892 | 7 452 |
| | 43 565 | 41 309 |

(8) Other interest income and similar income

| | 2014 | 2013 |
|--|---------------|--------------|
| | EUR | EUR |
| Income from shareholding in the company capitals | - | 1 839 |
| Income from securities | 36 | 52 |
| Recovered doubtful and bad debts | 3 629 | 1 502 |
| Income from investment property revaluation | 25 205 | - |
| Other income | 4 | 157 |
| | 28 874 | 3 550 |

Notes to the Financial Statements

(9) Interest payments and similar costs

| | 2014 EUR | 2013 EUR |
|--|---------------|---------------|
| Losses from foreign currency exchange rate fluctuations | 1 671 | 84 |
| Losses from investment property revaluation | - | 34 149 |
| Employees' leisure and other costs not connected with operating activities | 9 369 | 8 784 |
| | 11 040 | 43 017 |

(10) Other taxes

| | 2014 EUR | 2013 EUR |
|-----------------|--------------|--------------|
| Real estate tax | 1 635 | 1 612 |
| | 1 635 | 1 612 |

(11) Intangible assets

| | Concessions, patents, licenses, trade marks and similar rights EUR | Total EUR |
|--------------------------------------|--|--------------|
| Initial value | | |
| 31.12.2013 | 1 025 | 1 025 |
| Purchased | - | - |
| Disposed | - | - |
| 31.12.2014 | 1 025 | 1 025 |
| Accrued depreciation | | |
| 31.12.2013 | 1 025 | 1 025 |
| Calculated depreciation | - | - |
| Depreciation of excluded investments | - | - |
| 31.12.2014 | 1 025 | 1 025 |
| Book value as at 31.12.2013 | - | - |
| Book value as at 31.12.2014 | - | - |

Notes to the Financial Statements

(12) Report on movement of fixed assets

| | Land, buildings and constructions | Technological equipment and machinery | Other fixed assets | Total |
|---------------------------------------|---|---|-----------------------|----------------|
| | EUR | EUR | EUR | EUR |
| Initial value | | | | |
| 31.12.2013 | 378 017 | 479 524 | 122 811 | 980 352 |
| Purchased | - | 16 409 | 5 639 | 22 048 |
| Disposed | - | (37 797) | (7 422) | (45 219) |
| 31.12.2014 | 378 017 | 458 136 | 121 028 | 957 181 |
| Accrued depreciation | | | | |
| 31.12.2013 | 221 249 | 418 303 | 112 456 | 752 008 |
| Calculated depreciation | 15 876 | 24 473 | 5 488 | 45 837 |
| Depreciation of excluded fixed assets | - | (37 619) | (7 409) | (45 028) |
| 31.12.2014 | 237 125 | 405 157 | 110 535 | 752 817 |
| Book value as at 31.12.2013 | 156 768 | 61 221 | 10 355 | 228 344 |
| Book value as at 31.12.2014 | 140 892 | 52 979 | 10 493 | 204 364 |

As at 31 December 2013, the cadastral value of **real estate – land and constructions** - was EUR 158 004

As at 31 December 2014, the cadastral value of **real estate – land and constructions** - was EUR 158 004

(13) Investment properties

| | Land | Total |
|---|----------------|----------------|
| | EUR | EUR |
| Book value as at 31.12.2012 | 120 944 | 120 944 |
| Increase/decrease of value due to revaluation | (34 149) | (34 149) |
| Book value as at 31.12.2013 | 86 795 | 86 795 |
| Increase/decrease of value due to revaluation | 25 205 | 25 205 |
| Book value as at 31.12.2014 | 112 000 | 112 000 |

(14) Investments in capital of associated companies

| | 2014 | | 2013 | |
|---|----------------------------------|---------------|----------------------------------|---------------|
| | % from total share capital | EUR | % from total share capital | EUR |
| Ltd “Animal Breeders Association of Latvia” (SIA „Latvijas šķirnes dzīvnieku audzētāju savienība”) Legal address: Republikas laukums 2, Rīga, LV-1010, Latvia | 36.3 | 83 954 | 36.3 | 83 954 |
| | | 83 954 | | 83 954 |

Notes to the Financial Statements

(15) Other securities and investments

| | EUR |
|------------------------------------|------------|
| Purchase value as at 31.12.2013 | 683 |
| Book value as at 31.12.2013 | 683 |
| Purchase value as at 31.12.2014 | 683 |
| Book value as at 31.12.2014 | 683 |

(16) Ready-made products and goods for sale

| | 2014 EUR | 2013 EUR |
|----------------------|----------------|----------------|
| Bull semen | 528 727 | 488 787 |
| Other goods for sale | 13 944 | 8 595 |
| | 542 671 | 497 382 |

(17) Trade receivables

| | 2014 EUR | 2013 EUR |
|---|----------------|----------------|
| Accounting value of trade receivables | 169 603 | 153 074 |
| Provisions for doubtful trade receivables | (20 901) | (10 460) |
| | 148 702 | 142 614 |

(18) Other receivables

| | 2014 EUR | 2013 EUR |
|-------------------------------------|-------------|--------------|
| VAT for received goods and services | 802 | 688 |
| Overpayment of taxes | - | 999 |
| Other receivables | 117 | 996 |
| | 919 | 2 683 |

(19) Prepaid expenses

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

| | 2014 EUR | 2013 EUR |
|---|--------------|--------------|
| Advertising costs | 188 | 678 |
| Insurance | 4 933 | 4 881 |
| Press and legislation updates' subscription | 1 115 | 1 142 |
| Server maintenance and similar costs | 344 | 344 |
| Other prepaid expenses | 404 | 601 |
| | 6 984 | 7 646 |

Notes to the Financial Statements

(20) Other securities and shareholding in capitals

| | 2014 | | | 2013 | | |
|-----------------------|--------|--------------|------------|--------|--------------|---------------|
| | Number | Market price | Amount EUR | Number | Market price | Amount EUR |
| SEB Euro reserve fund | - | - | - | 15 044 | 2.06834 | 31 117 |
| | | | - | | | <u>31 117</u> |

Money market fund shares have no guaranteed interest rate. In 2014 the profitability was 0.11 %. Exclusion of money market fund shares is carried out at the Company's request.

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

Break-down of cash according to currencies:

| | | 2014 | | 2013 | |
|--------------|-----|----------|----------------|----------|----------------|
| | | Currency | EUR | Currency | EUR |
| Cash in hand | LVL | - | - | 280 | 398 |
| Cash in hand | EUR | - | 1 270 | - | - |
| Cash in bank | LVL | - | - | 186 490 | 265 353 |
| Cash in bank | EUR | - | 365 870 | - | 153 |
| | | | <u>367 140</u> | | <u>265 904</u> |

(22) Share capital

The Company's shares are quoted on NASDAQ OMX Riga Stock Exchange's second listing. The Company's share capital consists of shareholders' investments. The total number of shares is 422 440, the nominal value per share is 1 Lat (1.42 euro).

| | 2014 EUR | 2013 EUR |
|---|----------------|----------------|
| Ordinary common shares with voting rights | 599 655 | 599 655 |
| Shares owned by the Board without voting rights | 1 423 | 1 423 |
| | <u>601 078</u> | <u>601 078</u> |

421440 shares or 99.8% of the share capital are bearer shares, which give equal rights to receive dividends, receipt of liquidation quota and voting rights in the Shareholders' Meeting.

1000 shares or 0.2% of the share capital, which are not included in the regulated market, are personnel registered shares, which may be obtained only by Members of the Board, and they give equal rights only to receipt of dividend and liquidation quota.

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

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

Profit per share

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

| | 2014 EUR | 2013 EUR |
|---|--------------|--------------|
| Profit of the reporting period | 155 916 | 70 095 |
| Average weighted number of shares during the year | 422 440 | 422 440 |
| | <u>0.369</u> | <u>0.166</u> |

Notes to the Financial Statements

(23) Other Provisions

| | 2014 EUR | 2013 EUR |
|--------------------------|--------------|--------------|
| Provisions for vacations | 7 483 | 6 926 |
| | 7 483 | 6 926 |

(24) Provisions for deferred tax

| | 2014 EUR | 2013 EUR |
|---|---------------|---------------|
| Temporary differences in fixed assets depreciation | 33 083 | 37 263 |
| Provisions for vacations | (7 483) | (6 926) |
| Total temporary differences | 25 600 | 30 337 |
| Deferred tax provisions at the beginning of the period | 4 550 | 4 353 |
| Increase or decrease | (710) | 197 |
| Deferred tax provisions at the end of the period | 3 840 | 4 550 |

(25) Taxes and social insurance payments

| Tax type | Balance as at 31.12.2013 EUR | Calculated in 2014 EUR | Paid in 2014 EUR | Balance as at 31.12.2014 EUR |
|--|------------------------------------|------------------------------|------------------------|------------------------------------|
| Corporate income tax | (999) | 26 164 | (14 217) | 10 948 |
| Value added tax | 13 076 | 169 589 | (169 068) | 13 597 |
| Social insurance contributions | - | 121 873 | (108 821) | 13 052 |
| Personal income tax | - | 69 771 | (62 105) | 7 666 |
| Real estate tax | - | 1 635 | (1 635) | - |
| Nature resource tax | 28 | 231 | (182) | 77 |
| Business risk duty | - | 157 | (144) | 13 |
| Tax for the exploitation of the vehicles | - | 709 | (709) | - |
| Tax applied on company owned motorcars | - | 1 121 | (1 121) | - |
| | 12 105 | 391 250 | (358 002) | 45 353 |

| Including: | 2013 EUR | 2014 EUR |
|---|-------------|-------------|
| Tax overpaid | (999) | - |
| Tax due | 13 104 | 45 353 |
| Tax overpaid declared in position "Other receivables" | | |

Notes to the Financial Statements

(26) Number of persons employed by the Company

| | 2014 | 2013 |
|--|-------------|-------------|
| Average number of persons employed during the reporting year | <u>36</u> | <u>35</u> |

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

| | 2014 EUR | 2013 EUR |
|--|----------------------|----------------------|
| Council Members' salaries for work, including state social insurance contributions | 10 366 | 10 238 |
| Board Members' salaries for work, including state social insurance contributions | <u>45 371</u> | <u>38 364</u> |
| Total remuneration to management members | <u>55 737</u> | <u>48 602</u> |

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

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

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

Report on Management Liability

According to the information being at our disposal, the Interim Report for twelve months of 2014 have been prepared according to the effective requirements of legislative enactments and provide a true and fair view about the joint stock company's "Siguldas ciltslietu un mākslīgās apsēklošanas stacija" assets, liabilities, financial condition and profit.

Interim Report for twelve months of 2014 have not been audited by Sworn Auditor.

Nils Ivars Feodorovs

Chairman of the Board

Sarmīte Arcimoviča

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

Valda Mālniece

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

27 February 2015