



**STOCK COMPANY**

**“Kurzemes ciltslietu un mākslīgās  
apsēklošanas stacija”**

**2019. ANNUAL REPORT**

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**PREPARED IN ACCORDANCE WITH LAW ON ANNUAL REPORTS AND CONSOLIDATED ANNUAL  
REPORTS**

WITH INDEPENDENT AUDITOR'S REPORT

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## BALANCE SHEET

### ASSETS

		<b>31.12.2019.</b>	<b>31.12.2018.</b>
		EUR	EUR
<b>Long-term investments</b>			
<b>Intangible assets</b>	<b>Notes</b>		<b>Reclassified*</b>
			<b>Adjusted**</b>
Concessions, patents, licenses, trademarks and similar rights	3	118	197
<b>Total intangible assets</b>		<b>118</b>	<b>197</b>
<b>Fixed assets</b>			
Real estate			
a) land, buildings and engineering constructions		991 387	933 668
Animals and plants			
a) productive animals and perennial plantings		39 764	35 381
Technological equipment and devices		71 398	38 167
Other fixed assets and inventory		90 528	91 225
<b>Total fixed assets</b>	4	<b>1 193 077</b>	<b>1 098 441</b>
<b>Long-term financial investments</b>			
Participation in the capital of related companies		2 845	2 845
Other securities and investments		715	684
<b>Total long-term financial investments</b>	5	<b>3 560</b>	<b>3 529</b>
<b>Total long-term investments</b>		<b>1 196 755</b>	<b>1 102 167</b>
<b>Current assets</b>			
<b>Inventories</b>			
Raw materials and consumables	6	27 183	45 393
Production in progress	7	100 683	104 254
Products and goods for sale	8	367 349	328 670
Advance payments for inventories	9	303	-
<b>Total inventories</b>		<b>495 518</b>	<b>478 317</b>
<b>Receivables</b>			
Trade receivables	10	78 634	69 582
Receivables from Related companies		2 022	140
Receivables from Associated companies		83 313	28 449
Other receivables	11	119 179	-
Short-term loans to shareholders or members and management		198 000	165 000
Prepaid expense	12	4 070	5 873
Accrued income	13	6 228	5 479
<b>Total receivables</b>		<b>491 446</b>	<b>274 523</b>
<b>Cash</b>	14	64 233	99 496
<b>Total current assets</b>		<b>1 051 197</b>	<b>852 336</b>
<b>Total assets</b>		<b>2 247 952</b>	<b>1 954 503</b>

The accompanying notes on pages 6 to 30 are an integral part of these financial statement.

\* See Note 34

\*\* See Note 33

Chairman of the Board

Gatis Kaķis

Member of the Board

Sigita Lukaže

Member of the Board

Mārtiņš Muižnieks

Chief Accountant

Jana Ozoliņa

March 20, 2020

**BALANCE SHEET**

**EQUITY AND LIABILITIES**

		<u>31.12.2019.</u>	<u>31.12.2018.</u>
		<u>EUR</u>	<u>EUR</u>
			<u>Reclassified*</u>
<b>Equity</b>	<b>Note</b>		<b>Adjusted**</b>
Share capital	15	613 200	613 200
Reserve			
a) other reserve		1 258	1 258
Retained earnings of the previous years		1 039 626	962 806
Retained earnings of the reporting year		130 399	76 820
<b>Total equity</b>		<b>1 784 483</b>	<b>1 654 084</b>
<b>Liabilities</b>			
<b>Long-term liabilities</b>			
Loans from credit institutions	16	61 970	-
Deffered income	17	89 467	99 745
<b>Total long-term liabilities</b>		<b>151 437</b>	<b>99 745</b>
<b>Current liabilities</b>			
Loans from credit institutions	16	157 150	-
Advances received from buyers		206	1 297
Trade payables	18	70 656	109 729
Related parties payables		534	534
Associates payables		121	1 476
Taxes and state social insurance payables	19	20 992	25 277
Other payables	20	17 376	18 471
Accured liabilities	21	34 719	33 612
Deffered income	17	10 278	10 278
<b>Total current liabilities</b>		<b>312 032</b>	<b>200 674</b>
<b>Total liabilities</b>		<b>463 469</b>	<b>300 419</b>
<b>Total equity and liabilities</b>		<b>2 247 952</b>	<b>1 954 503</b>

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March 20, 2020



## INCOME STATEMENT

(by function of expenditure)

	Notes	2019 EUR	2018 EUR
<b>Net turnover</b>		<b>1 079 253</b>	<b>968 185</b>
a) from agricultural activity	24	985 583	870 880
b) from other type of economic activities	24	93 670	97 305
Cost of sales	26	(628 759)	(576 689)
<b>Gross profit or loss</b>		<b>450 494</b>	<b>391 496</b>
Distribution costs	27	(232 081)	(199 578)
Administrative costs	28	(173 309)	(216 029)
Other operating income	29	89 155	102 059
Other operating expenses	30	(8 612)	(1 128)
Interest income and similar income			
a) from Related companies	31	2 085	-
b) from other persons	31	9 506	-
Interest payable and similar expenses			
a) from other persons	32	(6 839)	-
<b>Profit or loss before calculation of corporate income tax</b>		<b>130 399</b>	<b>76 820</b>
<b>Profit or loss after calculation of corporate income tax</b>		<b>130 399</b>	<b>76 820</b>
<b>Profit or loss of the reporting year</b>		<b>130 399</b>	<b>76 820</b>

The accompanying notes on pages 6 to 30 are an integral part of these financial statement.

\* See Note 34

\*\* See Note 33

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Chief Accountant

Jana Ozoliņa

March 20, 2020

## Notes to the Financial Statements

### General Information

<b>Name of the company</b>	"Kurzemes ciltslietu un mākslīgās apsēklošanas stacija"	
<b>Legal status of the company</b>	Stock Company	
<b>Registration No., place, date</b>	000301708, Riga, 06.08.1991.	
<b>Re-registration in the Commercial register</b>	40003017085, Riga, 07.04.2004.	
<b>Legal address</b>	Jaunpils, Jaunpils district, Jaunpils region, LV-3145	
<b>Board</b>	Gatis Kaķis, Chairman of the Board Sigita Lukaže, Member of the Board Mārtiņš Muižnieks, Member of the Board	
<b>Council</b>	Agnese Dūze, Chairman of the Council Paulis Paškausks, Member of the Council Andris Paškausks, Member of the Council	
<b>Related parties</b>	LLC "Latvijas Šķirnes dzīvnieku audzētāju savienība", 51.7 % Reģ.nr.40003134620 Republic Square 2, Riga LV-1010	
<b>Associates</b>	SC "Agrofirma Tērvete", 32.1 % Reg. No.45103001086 Tervetes district, Tervetes region, Kronāuce, "Tišas", LV-3730  SC "Agrolats Holding", 29.1 % Reg. No. 40103249801 Brīvības street 10B-8, Dobeles, Dobeles district, LV-3701	
<b>LEI code</b>	529900KYEWO4FP2XMF82 (till 07.05.2019)	
<b>Business activity</b>	01.50 Mixed farming	
<b>Financial year</b>	01.01.2019. – 31.12.2019.	
<b>Auditor</b>	Biruta Novika LR Sworn Auditor LZRA Certificate No. 106	LLC "Nexia Audit Advice" Grecinieku street 9 – 3, Riga, Latvija, LV 1050 Reg. No. 40003858822 Licence No. 134

## Notes to the Financial Statements *(continued)*

### **Basic 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". In accordance with Law on Annual Reports and Consolidated Annual Reports, the company qualifies as a small company and disclosed information resulted from requirements applicable to a small company, for example, a statement of cash flow and other information, that is not required is not disclosed, applying the above law.

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.

### **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) except for changes in accounting estimates in connection with the revision of the useful lives of property, plant and equipment described in the section "Changes in accounting estimates" 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 01.01.2019. to 31.12.2019.

### **The 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.



## Notes to the Financial Statements *(continued)*

### **Going concern**

As at 31 December 2019, the Company's current assets exceeded current liabilities by EUR 739,165. The Company's management anticipates that it will not have liquidity problems and the Company will be able to settle with all creditors within the set deadlines. Therefore, the Company's management believes that the going concern assumption is applicable to the preparation of this financial statement.

### **Contingencies**

Contingent liabilities are not recognized in these financial statements. They are disclosed unless the possibility of an outflow of resources embodying benefits is remote. A contingent asset is not recognized in these financial statements but discloses 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 net value.

	<b>31.12.2019.</b>	<b>31.12.2018.</b>
<b>USD</b>	1.123	1.145

### **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.

### **Transactions with 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.

### **Related parties**

Related party is a company which is directly or indirectly controlled by another company (parent company - more than 50% of shareholders or voting rights of the members in this company). Parent company controls subsidiaries financial and business policies. Party accept income of investment only if they receive distribution of profits after the acquisition date from related company. Received distribution which exceed earnings are considered as investment recovery costs and are displayed as decrease of investment related company capital purchase costs.

### **Associates**

An associate is a company in which another company has equity participation and whose operating and financial policies are under the influence of that other company, which is secured by at least 20% and no more than 50% of the voting rights of the members.

### **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".

## Notes to the Financial Statements *(continued)*

### **Change in accounting estimates**

In 2019, the Company reviewed the useful lives of its buildings and other property, plant and equipment, taking into account the technical condition of those property, plant and equipment. In previous reporting periods, depreciation of buildings was calculated using the expected useful life 20 years, for other fixed assets 5 years. In 2019, this period was reduced to 10-20 years and 3-5 years, respectively. Many of the fixed assets did not correspond to the Technological Equipment fixed assets category after the evaluation, therefore they were transferred to the Other fixed assets category. These changes are described in Note 35 - Reclassification of balance sheet items. The new accounting estimate is appropriate for measuring items in the financial statements in 2019 and subsequent years.

### **Intangible assets and fixed assets**

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

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.

Depreciation on assets is calculated using the straight-line method. 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.

The useful life of fixed assets is determined by the Manager of the Company, choosing the following depreciation rates as a basis:

	<b>Useful life (years) in 2019</b>	<b>Useful life (years) in 2018</b>
Buildings and construction	10-20	20
Technological equipment and devices	5-10	5-10
Other equipment	3-5	5

### **Revaluation of fixed assets and making reserve**

Fixed asset object which value is significantly greater than its purchasing costs or costs of production or evaluation in previous year balance Company revalued according to the higher value, if the value increase can be assumed to be long lasting. The difference resulting from such revaluation between the valuation made on the basis of the cost of acquisition or the cost of production and the valuation made on the basis of the revaluation, if positive, shall be included in the relevant asset item of the balance sheet showing the revalued item of fixed asset and the liability of the balance sheet "Long-term investment revaluation reserve" in section "Equity".

### **Animals and plants**

Working animals and productive animals are initially recognized costs:

- purchased animals- their purchase cost;
- own animals- their production cost (animal breed cost price).

Depreciation on productive animals is calculated using the straight-line method. Depreciation is calculated starting with the following month after the productive animals are ready for intended use.

### **Inventories**

The balances of raw materials and supplies and purchased goods at the balance sheet date are valued at the lower of purchase or production cost or the lower of market price. If items of inventory are damaged, partially or completely obsolete, or there is a significant increase in the cost of completing or selling their production, the items are measured at net realizable value.

If the need arises, the value of obsolete, slow-moving or damaged inventories will be written off or provisions will be made. The FIFO method is used to calculate the value of inventories. Inventories are checked in the annual closing inventory.



## Notes to the Financial Statements *(continued)*

### **Change in accounting estimates**

In 2019, the Company reviewed the useful lives of its buildings and other property, plant and equipment, taking into account the technical condition of those property, plant and equipment. In previous reporting periods, depreciation of buildings was calculated using the expected useful life 20 years, for other fixed assets 5 years. In 2019, this period was reduced to 10-20 years and 3-5 years, respectively. Many of the fixed assets did not correspond to the Technological Equipment fixed assets category after the evaluation, therefore they were transferred to the Other fixed assets category. These changes are described in Note 35 - Reclassification of balance sheet items. The new accounting estimate is appropriate for measuring items in the financial statements in 2019 and subsequent years.

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The useful life of fixed assets is determined by the Manager of the Company, choosing the following depreciation rates as a basis:

	<b>Useful life (years) in 2019</b>	<b>Useful life (years) in 2018</b>
Buildings and construction	10-20	20
Technological equipment and devices	5-10	5-10
Other fixed assets and inventory	3-5	5

### **Revaluation of fixed assets and making reserve**

Fixed asset object which value is significantly greater than its purchasing costs or costs of production or evaluation in previous year balance Company revalued according to the higher value, if the value increase can be assumed to be long lasting. The difference resulting from such revaluation between the valuation made on the basis of the cost of acquisition or the cost of production and the valuation made on the basis of the revaluation, if positive, shall be included in the relevant asset item of the balance sheet showing the revalued item of fixed asset and the liability of the balance sheet "Long-term investment revaluation reserve" in section "Equity".

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### **Inventories**

The balances of raw materials and supplies and purchased goods at the balance sheet date are valued at the lower of purchase or production cost or the lower of market price. If items of inventory are damaged, partially or completely obsolete, or there is a significant increase in the cost of completing or selling their production, the items are measured at net realizable value.

If the need arises, the value of obsolete, slow-moving or damaged inventories will be written off or provisions will be made. The FIFO method is used to calculate the value of inventories. Inventories are checked in the annual closing inventory.



## **Notes to the Financial Statements** *(continued)*

### **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 are recognized and carried at original invoice amount less an allowance for any doubtful amounts.

### **Other debtors**

The Company under the item "Other debtors" 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 "Next period costs".

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 "Next period revenue".

### **Other securities and investments**

Long-term investments in bonds and securities are recorded in the balance sheet at their purchase value. Short-term investments in equities and securities listed on the stock exchange are reported in the balance sheet at market value, determined on the basis of transactions at the last day of the 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 a 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 this section 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.

## **Notes to the Financial Statements** *(continued)*

### **Lease**

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized 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 capitalized 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 recognized 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 recognized 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 recognized 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. Provision is made for re-cultivation costs, which will result in the relevant for bog recultivation when peat extraction work has been completed.

### **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 authorized by the shareholders decision, as well as when the amount of dividends is calculated.



## **Notes to the Financial Statements** *(continued)*

### **Taxes and mandatory state social insurance contributions**

Tax information society are reconciled with the tax administration. Payables Society presents only tax debts, any overpayments including under other receivables. Payables reflects only Company's tax debts, tax overpayments are included under other debtors.

### **Subsidies**

Subsidies received for specific types of capital investment are recorded as deferred income that is gradually included in the income during received and through subsidies purchased fixed asset useful period. Subsidies to cover expenses are recorded in incomes in the same period when the costs were registered, if all regulations meet the requirements regarding receiving dotations.

### **Revenue recognition**

Revenue is recognized 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 recognized:

#### **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.

#### **Rendering 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.

## **Notes to the Financial Statements** *(continued)*

### **Corporate income tax**

In accordance with the Corporate Income Tax Law of the Republic of Latvia adopted in 2017, from 1 January 2018, corporate income tax is applied only to calculated dividends and certain expenses comparable to the distribution of profits. Retained earnings are not subject to corporate income tax.

Corporate income tax is calculated only on the part of the profit that will be distributed or paid in dividends or used for purposes not related to business development. When determining the CIT taxable base, the value of taxable objects is divided by a coefficient of 0.8. The current legislation sets a tax rate of 20%.

### **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.

Notes to the Financial Statements (*continued*)

1. The average number of employees

	<b>2019</b>	<b>2018</b>
<b>The average number of employees, incl.</b>	<b>32</b>	<b>36</b>
- <i>Members of the Board</i>	3	3
- <i>Members of the Council</i>	3	4
- <i>Other employees</i>	26	29

2. Cost of workers

	<b>2019</b>	<b>2018</b>
	<b>EUR</b>	<b>EUR</b>
<b>Total cost of workers</b>	<b>419 861</b>	<b>432 831</b>
Salary	338 592	348 998
State mandatory social insurance payments	81 269	83 833
	<b>2019</b>	<b>2018</b>
	<b>EUR</b>	<b>EUR</b>
<b>Members of the Council</b>	<b>5 430</b>	<b>12 790</b>
Salary	4 376	10 344
State mandatory social insurance payments	1 054	2 446
	<b>2019</b>	<b>2018</b>
	<b>EUR</b>	<b>EUR</b>
<b>Members of the Board</b>	<b>81 906</b>	<b>53 906</b>
Salary	66 005	43 533
State mandatory social insurance payments	15 901	10 373

Notes to the Financial Statements (*continued*)

**NOTES TO THE BALANCE SHEET**

**3. Statement of Intangible assets flow**

	Concessions, patents, licenses, trademarks and similar rights EUR	Total intangible assets EUR
<b>Purchase value on 31.12.2018.</b>	<b>4 607</b>	<b>4 607</b>
Disposal	(2 937)	(2 937)
<b>Purchase value on 31.12.2019.</b>	<b>1 670</b>	<b>1 670</b>
<b>Depreciation on 31.12.2018.</b>	<b>4 410</b>	<b>4 410</b>
Impairment adjustments calculated during the reporting year	79	79
Accumulated depreciation total correction changes in connection with the disposal, liquidation or transfer of an item	(2 937)	(2 937)
<b>Depreciation on 31.12.2019.</b>	<b>1 552</b>	<b>1 552</b>
<b>Balance at 31.12.2018.</b>	<b>197</b>	<b>197</b>
<b>Balance at 31.12.2019.</b>	<b>118</b>	<b>118</b>

**4. Statement of fixed assets flow**

Reclassified*	Real estate EUR	Technological equipment and devices EUR	Other fixed assets and inventory EUR	Animals and plants EUR	Total EUR
<b>Purchase value on 31.12.2018.</b>	<b>1 107 747</b>	<b>308 764</b>	<b>339 565</b>	<b>50 806</b>	<b>1 806 882</b>
Increases in value, including improvements	81 815	41 650	24 350	27 797	<b>175 612</b>
Disposal	-	(530)	(12 699)	(26 181)	(39 410)
<b>Purchase value on 31.12.2019.</b>	<b>1 189 562</b>	<b>349 884</b>	<b>351 216</b>	<b>52 422</b>	<b>1 943 084</b>
<b>Depreciation on 31.12.2018.</b>	<b>174 079</b>	<b>270 597</b>	<b>248 340</b>	<b>15 424</b>	<b>708 440</b>
Impairment adjustments calculated during the reporting year	24 096	8 419	25 047	9 942	<b>67 504</b>
Accumulated depreciation total correction changes in connection with the disposal, liquidation or transfer of an item	-	(530)	(12 699)	(12 708)	(25 937)
<b>Depreciation on 31.12.2019.</b>	<b>198 175</b>	<b>278 486</b>	<b>260 688</b>	<b>12 658</b>	<b>750 007</b>
<b>Balance at 31.12.2018.</b>	<b>933 668</b>	<b>38 167</b>	<b>91 225</b>	<b>35 382</b>	<b>1 098 442</b>
<b>Balance at 31.12.2019.</b>	<b>991 387</b>	<b>71 398</b>	<b>90 528</b>	<b>39 764</b>	<b>1 193 077</b>



## Notes to the Financial Statements *(continued)*

\* Reclassified fixed assets purchase value described in note 29.

SC Kurzemes CMAS in the beginning of 2019 cultivated 431.94 ha agricultural land, of which 267.08 ha were Company owned and 164.86 ha leased from natural and legal persons. During 2019 Company purchased the leased property 9.48 ha area and broke two land leases with a total area of 81.37 ha in result by the end of 2019 cultivated 350.57 ha, of which 276.56 ha were Company owned and 74.01 ha leased from natural and legal persons.

### 5. Long-term financial investment

	<b>31.12.2019</b>	<b>31.12.2018</b>
	<b>EUR</b>	<b>EUR</b>
LLC Latvijas Šķirnes Dzīvnieku Audzētāju Savienība (2000 shares, 1.67% of companies capital)*	2 845	2 846
LLC Piensaimnieku laboratorija (16 shares)*	672	683
KS Latvijas Cūku audzētāju asociācija (3 shares)*	43	-
	<b>3 560</b>	<b>3 529</b>

\*In 2019, the Company received precise information on its shares in the capital of the above-mentioned companies, as a result of which the value of financial investments was adjusted.

### 6. Raw materials and consumables

	<b>31.12.2019</b>	<b>31.12.2018</b>
	<b>EUR</b>	<b>EUR</b>
Materials, raw materials	15 211	19 787
Mineral fertilizers and chemicals	5 552	21 511
Fuel	3 325	406
Animal feed	2 975	2 390
Grain and seeds	120	1 299
<b>Total</b>	<b>27 183</b>	<b>45 393</b>

### 7. Production in progress

	<b>31.12.2019</b>	<b>31.12.2018</b>
	<b>EUR</b>	<b>EUR</b>
Winter crops	100 683	104 254
<b>Total</b>	<b>100 683</b>	<b>104 254</b>

**Notes to the Financial Statements** *(continued)*

**8. Products and goods for sale**

	<b>31.12.2019</b>	<b>31.12.2018</b>
	<b>EUR</b>	<b>EUR</b>
Bull semen (self-produced)	193 166	177 477
Bull semen (purchased)	94 597	59 574
Grains, rape (self-produced)	79 586	91 619
<b>Total</b>	<b>367 349</b>	<b>328 670</b>

**9. Advance payments for inventories**

	<b>31.12.2019</b>	<b>31.12.2018</b>
	<b>EUR</b>	<b>EUR</b>
Advance payments for inventories in Latvia	256	-
Advance payments for inventories in EU	47	-
<b>Total</b>	<b>303</b>	<b>-</b>

**10. Trade receivables**

	<b>31.12.2019</b>	<b>31.12.2018</b>
	<b>EUR</b>	<b>EUR</b>
Trade receivables	78 634	69 582
Book value of doubtful debtors	15 569	14 334
Provisions for doubtful debtors	(15 569)	(14 334)
<b>Total</b>	<b>78 634</b>	<b>69 582</b>

**11. Other receivables**

	<b>31.12.2019</b>	<b>31.12.2018</b>
	<b>EUR</b>	<b>EUR</b>
Other short - term loans *	119 107	-
Settlements with settlement persons	72	-
<b>Total</b>	<b>119 179</b>	<b>-</b>

\* In 2019, the Company has issued 3 short-term loans to legal entities. All loans have a fixed annual loan% rate. Loans are issued without collateral. The repayment terms of short-term loans are 30.04.2020, 15.05.2020. and 06.05.2020.

Notes to the Financial Statements (continued)

12. Prepaid expense

	31.12.2019	31.12.2018
	EUR	EUR
Mission expenses	2 070	-
Insurance expenses	1 531	5 873
Advertising expenses	171	-
Transport costs	298	-
<b>Total</b>	<b>4 070</b>	<b>5 873</b>

13. Accured income

	31.12.2019	31.12.2018
	EUR	EUR
RSS payments	6 228	5 479
<b>Total</b>	<b>6 228</b>	<b>5 479</b>

14. Cash

	31.12.2019	31.12.2018
	EUR	EUR
Cash at current account	62 014	95 000
Cash in hand	2 219	4 496
<b>Total</b>	<b>64 233</b>	<b>99 496</b>

15. Share capital

The Company's registered share capital on December 31, 2019 is fully paid, share capital EUR 613 200 consists of 876 000 shares with a nominal value of EUR 0.70 per share.

Dividend from 2018, 2019 won't be paid.

Shareholders of the Company as at 31 December 2019 and their positions in the company

Shareholders	Position in the Company	% of share capital
LLC Latvijas šķirnes dzīvnieku audzētāju savienība	shareholder	51.74%
SC Agrofirma Tērvete	shareholder	32.06%
Other shareholders	x	16.20%
<b>Total</b>	<b>x</b>	<b>100%</b>

Notes to the Financial Statements (continued)

16. Retained earnings:

Long - term part:	Interest rate	Repayment date	31.12.2019 EUR	31.12.2018 EUR
JSC "Development Finance Institution Altum" loan for the purchase of agricultural land (contract no. 132908/01)	2.2% fixed part + fixed variable rate	25.08.2029.	61 970	-
<b>Total</b>			<b>61 970</b>	<b>-</b>
			<b>31.12.2019 EUR</b>	<b>31.12.2018 EUR</b>
<b>Long - term loan repayment term:</b>				
From 2 - 5 years			28 602	-
After 5 years			33 368	-
<b>Total</b>			<b>61 970</b>	<b>-</b>

Short - term part:	Interest rate	Repayment date	31.12.2019 EUR	31.12.2018 EUR
JSC "Development Finance Institution Altum" loan for the purchase of agricultural land (contract no. 132908/01)*	2.2% fixed part + fixed variable rate	31.12.2020.	7 150	-
JSC "Development Finance Institution Altum" loan for current assets purchase (contract no. 132908/02)*	4% per year	26.05.2020.	150 000	-
<b>Total</b>			<b>157 150</b>	<b>-</b>

\* The Company's real estate serves as collateral for loan agreements.

17. Deffered income

long-term part:	31.12.2019 EUR	31.12.2018 EUR
ES financing Garage - workshop building reconstruction	35 078	37 270
ES financing for reconstruction and modernization of bull's cattle shed	15 136	16 512
ES financing for reconstruction and modernization of boar's cattle shed	29 653	32 523
ES financing for steering electric motor and trailer	9 600	13 440
<b>Total</b>	<b>89 467</b>	<b>99 745</b>

**Notes to the Financial Statements** *(continued)*

	<b>31.12.2019</b>	<b>31.12.2018</b>
	<b>EUR</b>	<b>EUR</b>
Deferred income write-off term:		
From 2 - 5 years	41 112	41 112
After 5 years	48 355	58 633
<b>Total</b>	<b>89 467</b>	<b>99 745</b>

<b>Short - term part:</b>	<b>31.12.2019</b>	<b>31.12.2018</b>
	<b>EUR</b>	<b>EUR</b>
ES financing Garage - workshop building reconstruction	2 192	2 192
ES financing for reconstruction and modernization of bull's cattle shed	1 376	1 376
ES financing for reconstruction and modernization of boar's cattle shed	2 870	2 870
ES financing for steering electric motor and trailer	3 840	3 840
<b>Total</b>	<b>10 278</b>	<b>10 278</b>

**18. Trade payables**

	<b>31.12.2019</b>	<b>31.12.2018</b>
	<b>EUR</b>	<b>EUR</b>
Latvian suppliers	26 260	83 058
ES suppliers	23 702	18 359
Third country suppliers	20 694	8 312
<b>Total</b>	<b>70 656</b>	<b>109 729</b>

**19. Taxes and state social insurance payables**

	<b>31.12.2019</b>	<b>31.12.2018</b>
	<b>EUR</b>	<b>EUR</b>
State mandatory social insurance payments	10 411	11 703
Personal income tax	5 284	5 901
Business risk state fee	11	12
Value added tax fee	5 020	6 971
Natural resources tax	266	690
<b>Total</b>	<b>20 992</b>	<b>25 277</b>

**20. Other payables**

	<b>31.12.2019</b>	<b>31.12.2018</b>
	<b>EUR</b>	<b>EUR</b>
Wages and salaries	17 057	18 471
Advances paid by employees	319	-
<b>Total</b>	<b>17 376</b>	<b>18 471</b>



Notes to the Financial Statements (continued)

21. Accrued liabilities

	31.12.2019	31.12.2018
	EUR	EUR
Accrued liabilities - unused annual leaves	31 466	31 511
Accrued liabilities - trade payables	3 253	2 101
<b>Total</b>	<b>34 719</b>	<b>33 612</b>

22. Transactions with associates

Associated company	Transaction description	Receivable	Debt increase	Debt repayment	Receivable
		31.12.2018.	2019	2019	31.12.2019.
SC Agrofirma Tērvete	Loan agreement	165 000	-	165 000	-
SC Agrofirma Tērvete	Goods, services	28 449	124 298	72 648	80 099
SC Agrolats Holding	Loan agreement	-	216 300	18 300	198 000
SC Agrolats Holding	Goods, services	-	5 778	2 564	3 214
<b>Total</b>		<b>193 449</b>	<b>346 376</b>	<b>258 512</b>	<b>281 313</b>

Associated company	Transaction description	Payable	Debt increase	Debt repayment	Payable
		31.12.2018.	2019	2019	31.12.2019.
SC Agrolats Holding	Goods, services	1 476	1 658	3 013	121
<b>Total</b>		<b>1 476</b>	<b>1 658</b>	<b>3 013</b>	<b>121</b>

23. Transactions with related parties

Related company	Transaction description	Receivable	Debt increase	Debt repayment	Receivable
		31.12.2018.	2019	2019	31.12.2019.
LLC Latvijas Šķirnes dzīvnieku audzētāju savienība	Goods, services	140	40 953	39 071	2 022
<b>Total</b>		140	40 953	39 071	2 022

related company	Transaction description	Payable	Debt increase	Debt repayment	Payable
		31.12.2018.	2019	2019	31.12.2019.
LLC Latvijas Šķirnes dzīvnieku audzētāju savienība	Goods, services	534	2 924	2924	534
<b>Total</b>		534	2924	2924	534



Notes to the Financial Statements *(continued)*

**NOTES TO THE INCOME STATEMENT**

**24. Net turnover**

	<b>2019</b>	<b>2018</b>
	<b>EUR</b>	<b>EUR</b>
<b>From agricultural activity:</b>		
Revenue from animal sperm	508 146	476 682
Revenue from grain sale	392 183	304 872
Revenue from artificial insemination services	54 535	61 446
Revenue from linear evaluation of cows	29 371	25 730
Revenue from grain kiln service	1 348	1 325
Revenue from sale of other products and services	-	825
<b>Total</b>	<b>985 583</b>	<b>870 880</b>
<b>From other type of economic activities</b>		
Revenue from sale of other products and services	48 242	47 238
Revenue from milk sample collection	45 428	50 067
<b>Total</b>	<b>93 670</b>	<b>97 305</b>
<b>TOTAL</b>	<b>1 079 253</b>	<b>968 185</b>

**25. Net turnover by geographical segments**

	<b>2019</b>	<b>2018</b>
	<b>EUR</b>	<b>EUR</b>
Latvia	1 079 153	968 185
Lithuania	100	-
<b>Total</b>	<b>1 079 253</b>	<b>968 185</b>

**Notes to the Financial Statements** *(continued)*

**26. Cost of sales**

	<b>2019</b>	<b>2018</b>
	<b>EUR</b>	<b>EUR</b>
Cost of raw materials	325 970	331 968
Employee salaries, social insurance payments, risk fee	139 869	134 950
Fixed asset depreciation	46 680	55 983
Payment for works and services from outside	33 024	50 705
Fuel	21 103	51 764
Land rent fee	15 768	-
Maintenance costs of agricultural machinery and production equipment	11 857	76 064
Changes in the value of working animals	9 942	4 913
Real estate tax	7 617	6 849
Electricity costs	5 888	9 016
Fuel for production	5 378	10 853
Insurance costs	1 818	2 961
Veterinary medicines and materials	1 470	785
Production analysis costs	1 031	-
Purchase of work clothes and carpets for production premises	1 020	-
Mission expenses	779	-
Customs and import duties	634	2 357
Natural resources tax	384	956
Costs of removal of industrial waste and sewage	384	609
Low value inventory	158	-
Other costs	111	5 155
Accrued liabilities for employee leave	(254)	-
Inventories value change	(1 872)	(169 199)
<b>Total</b>	<b>628 759</b>	<b>576 689</b>

**Notes to the Financial Statements** *(continued)*

**27. Distribution costs**

	<b>2019</b>	<b>2018</b>
	<b>EUR</b>	<b>EUR</b>
Employee salaries, social insurance payments, risk fee	165 029	112 764
Transport costs	38 191	66 954
Low value inventory	7 319	-
Fixed asset depreciation	6 000	3 624
Other costs	4 754	13 096
Insurance costs	4 312	-
Packaging material, packaging	3 417	-
Advertising expenses	2 551	3 140
Customer training expenses	951	-
Communication expenses	889	-
Provisions for doubtful receivables	159	-
Accrued liabilities for employee leave	(1 491)	-
<b>Total</b>	<b>232 081</b>	<b>199 578</b>

**Notes to the Financial Statements** *(continued)*

**28. Administrative costs**

	<b>2019</b>	<b>2018</b>
	<b>EUR</b>	<b>EUR</b>
Employee salaries, social insurance payments, risk fee	115 103	152 610
Expenses for accounting, auditing services	15 200	9 496
Transport costs	9 008	16 751
Electricity costs	7 672	-
Office maintenance costs	5 126	4 346
Fixed asset depreciation	4 961	7 838
Representation expenses	4 487	4 968
Ancillary expenses of cash flow	2 402	665
Accrued liabilities for employee leave	1 701	-
Expenditure on staff sustainability measures	1 596	-
Communication costs	1 393	266
Insurance costs	1 361	3 765
Non - operating expenses	1 205	-
Other costs	1 115	4 021
Expenses related to business travels	400	7 341
Low value inventory	309	-
Donations	150	-
Legal services expenses	120	3 962
<b>Total</b>	<b>173 309</b>	<b>216 029</b>

**29. Other operating income**

	<b>2019</b>	<b>2018</b>
	<b>EUR</b>	<b>EUR</b>
RSS subsidies	71 222	79 017
Funding received from EU funds	10 278	8 038
Other income	7 655	15 004
<b>Total</b>	<b>89 155</b>	<b>102 059</b>

Notes to the Financial Statements (continued)

30. Other operating expenses

	2019	2018
	EUR	EUR
Losses from sale of fixed assets, net, incl.	7 927	-
- <i>proceeds from the sale of fixed assets</i>	5 546	-
- <i>residual value of fixed assets sold</i>	13 473	-
Losses from foreign currency exchange rate fluctuations, net	309	928
Other expenses	225	200
Fines, contractual penalties paid	151	-
<b>Total</b>	<b>8 612</b>	<b>1 128</b>

Information on profit or loss from disposal of long - term objects

Object of long-term investment	Balance sheet value at the time of exclusion EUR	Disposal income EUR	Disposal expenses EUR	Gross income or expenses EUR	Income or loss on disposal of an item EUR
Opel Corsa	-	330	-	330	330
Working and productive animals	13 473	5 216	-	(8 257)	(8 257)
<b>Total</b>	<b>13 473</b>	<b>5 546</b>	<b>-</b>	<b>7 927</b>	<b>7 927</b>

31. Interest income and similar income

	2019	2018
	EUR	EUR
Other interest income on loans	9 506	-
Interest income from related parties on loans issued	2 085	-
<b>Total</b>	<b>11 591</b>	<b>-</b>

32. Interest payable and similar expenses

	2019	2018
	EUR	EUR
Interest paid on loans from a financial institution	6 839	-
<b>Total</b>	<b>6 839</b>	<b>-</b>



## Notes to the Financial Statements *(continued)*

### 33. Adjustments in the 2018 annual report

At the beginning of 2019, during the transition to the new accounting program and the inventory of opening balances, discrepancies were identified that affect the financial statements of the previous reporting period, as a result of which the items for the previous reporting periods have been corrected. Description of the correction of the mistakes and its effect on the items in the financial statements follows:

1. The company has received SAPARD funding for the reconstruction of buildings and structures. In the reporting year, it has been established that in 2017, when this financing was recalculated in accordance with the useful life of the financed fixed assets. The basis for the recalculation is the accounting calculation, which indicates the received financing in the currency LVL and does not perform the conversion to the currency EUR. In 2019, deferred income was recalculated retrospectively from the period when the company was entitled to receive financing until the end of the reporting year, adjusting the retained earnings to 31 December 2017, profit for 2018 and short-term and long-term income accordingly items as at 31 December 2018.

2. Change in accounting policy. At the end of 2018, the Company has taken into account the following items in the accounting of work in progress - seeds, plant protection products and mineral fertilizers. In the new accounting policy, the following costs are additionally included in work in progress - salaries of employees, fuel, work clothes, electricity costs, fuel, Real Estate Tax, real estate rent, depreciation of fixed assets, insurance, etc. production costs. In order to make the data of the 2019 report comparable and this policy change would not significantly affect the result of 2019, an adjustment was made for retained earnings as at 31 December 2017, profit for 2018 and adjusted work in progress as at 31 December 2018.

3. Change in accounting policy. Until the end of 2018, the company has included production animals - bulls and boars - in the group of fixed assets working and productive animals and perennial plantations. Until now, the purchase costs of bulls have been written off gradually over 3 years from the date of purchase and their annual depreciation is included in the cost of production, while for boar's depreciation was not calculated. In order to keep the accounting according to uniform principles, boars were also depreciated at the end of 2018 from the moment of their acquisition, calculating their average depreciation period in the company - 4 years and adjusting retained earnings as at 31 December 2017 accordingly, Profit for 2018 and accumulated depreciation as at 31 December 2018.

Financial statement item	Year 2018 before correction, EUR	Correction, EUR	Year 2018 after correction, EUR
<i>BALANCE SHEET:</i>			
<b>Fixed assets</b>			
<b>Animals and plants</b>			
Working or productive animals and perennial stages*	41 494	(5 700)	35 794
<b>Inventories</b>			
Unfinished products and orders	48 345	55 909	104 254
<b>Equity</b>			
Retained earnings of the previous years	930 872	31 934	962 806
Retained earnings of the reporting year	74 855	1 965	76 820
<b>Liabilities</b>			
<b>Long-term liabilities</b>			
Deferred income	84 731	15 014	99 745
<b>Current liabilities</b>			
Deferred income	8 982	1296	10 278

\* item also reclassified (see note 34)



**Notes to the Financial Statements** *(continued)*

*INCOME STATEMENT:*

	<b>(567 809)</b>	<b>669</b>	<b>(567 140)</b>
<b>Cost of sales*</b>			
Changes in the value of inventories	(2 700)	2 644	(56)
Changes in the value of working animals	(2 938)	(1 975)	(4 913)
<b>Other operating income*</b>	<b>94 455</b>	<b>1 296</b>	<b>95 751</b>
Funding received from EU funds	6 742	1 296	8038
<b>Profit or loss from reporting year</b>	<b>74 855</b>	<b>1 965</b>	<b>76 820</b>

\* item also reclassified (see note 34)

**34. Reclassification of comparative items**

During the reporting period to improve the quality of the prepared income statement and balance sheet, including compliance with 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 changes have been made in the reclassification of items (including the breakdown of items) compared to the previous reporting period. Reclassification (including item breakdown) has no effect on the financial result. In the annual report for 2019, comparative indicators for the period 01.01.2018. - 31.12.2018. classified according to the principles of the 2018 report and are comparable.

Financial statement item	Year 2018 before Reclassification, EUR	Reclassification, EUR	Year 2018 after Reclassification, EUR
<i>BALANCE SHEET</i>			
<b>Fixed assets</b>			
<b>Real Estate</b>			
a) land, buildings and engineering	933 255	413	933 668
<b>Animals and plants</b>			
a) Working or productive animals and perennial stages	35 794	(413)	35 381
<b>Technological equipment and devices</b>	121 291	(83 124)	38 167
<b>Other fixed assets and inventory</b>	8 100	83 125	91 225
<b>Long term financial investment</b>			
1. Participation in the capital of related parties	-	2845	2 845
2. Other securities and investments	3 529	(2 845)	684
<b>Inventories</b>			
Raw materials and consumables	137 012	(91 619)	45 393
Products and goods for sale	237 052	91 618	328 670

## Notes to the Financial Statements *(continued)*

### Receivables

Trade receivables	98 171	(28 589)	69 582
Receivables from related companies	-	140	140
Receivables from associates	-	28 449	28 449
Other receivables	5 479	(5 479)	-
Prepaid expense	-	5 479	5 479

### Liabilities

Advances received from customers	-	1 297	1 297
Trade payables	111 739	(2 010)	109 729
Payables to related companies	-	534	534
Payables to associates	-	1 476	1 476
Other payables	19 768	(1 297)	18 471

### INCOME STATEMENT:

#### Net turnover

a) from agricultural activity	877 188	(6 308)	870 880
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<b>Cost of sales</b>	(567 140)	(9 549)	(576 689)
<b>Distribution costs</b>	(216 468)	16 890	(199 578)
<b>Administrative costs</b>	(208 688)	(7 341)	(216 029)
<b>Other operating income</b>	95 751	6 308	102 059

### 35. Information on off-balance sheet liabilities, pledged assets

The Company's real estate serves as collateral for borrowings from JSC "Development Finance Institution Altum" (see note 16). In 2018, the Company provided financial security to SC Agrofirma Tērvete by pledging the real estate owned by it, thus providing the borrower with an opportunity to receive financial loans from the JSC "Development Finance Institution Altum".

### 36. Financial risk management

Company faced with financial instruments, as loans from credit institutions, financial leasing companies, trade receivables and other receivables, trade payables and other payables, which arise directly from of the economic activities.

#### Financial risks

The main financial risks related to the Company's financial instruments are foreign 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 EUR currency.

#### Liquidity risk

Society manages is controlling enterprise liquidity risk by maintaining appropriate amount of money or providing adequate funding through the loans from the participant and credit institutions as well as financial leases.

## Notes to the Financial Statements *(continued)*

### **Credit risk**

The Company is exposed to credit risk through its trade receivables and cash. Society management controls its credit risk by continuously assessing the credit history of customers and assigning credit terms on individual basis. The Company has no significant concentration of credit risk with any single counterparty or similar group of partners.

### **37. Information about relevant lease and rental agreements**

During the reporting year, the Company had entered into three land lease agreements for the lease of land in

### **38. Financial assistance and other support received.**

During the reporting period, the company received State subsidies granted by the RSS in the boar breeding sector in the amount of EUR 4,439, in the bull breeding sector in the amount of EUR 2,227, and area payments in the amount of EUR 64,556.

All terms of the provider of funds are met for support received in previous years.

The Company has not had any amounts to be reimbursed for non-compliance with the rules of the provider of funds. During the reporting year, the Company did not receive any donations or gifts, as well as state or municipal guarantees or investments in share capital.

During the reporting year, the Company did not receive any donations.

### **39. Subsequent events**

At the beginning of 2020, the Company purchased 1.9 ha of land leased in previous periods.

In March 2020, in the Republic of Latvia and in many other countries have recently come into effect restrictions related to coronavirus COVID-19 prevalence, which substantially reduces the economic growth in the country and in the world. It is unpredictable how the situation may develop in the future, and as a result is economic growth uncertainty. The Company's management continually assess the situation. The real impact of this issue on the operations to Company can be determined only when the position of both Latvian and foreign governments on these issues is fully clear. Thus, there is currently no rational basis for the assessment. The company's future operations will be organized and carried out as before, in accordance with the precautions taken to prevent the spread of COVID-19.

During the period from the last date to financial statements date there have been any other events that result in the financial statements requiring adjustment or disclose additional information.

**The Board/Chief Accountant has been prepared the Company`s Annual Report of 2019 and the Board and Chief Accountant signed on March 20, 2020.**

Chairman of the Board

Gatis Kaķis

Member of the Board

Sigita Lukaže

Member of the Board

Mārtiņš Muižnieks

Chief Accountant

Jana Ozoliņa



## Management Report

March 20, 2020

### Business activity

The main activities of the company did not change in 2019 and were the production of bioproducts for breeding bulls and boar's, grain breeding, various breeding services.

### Core business activity in reporting year

In 2019, 432 ha were cultivated, incl. 150 ha of leased land. Of the total turnover of the Company, 47% is made up of income from the sale of bioproducts, 36% from the sale of grain, 5% from the service of artificial insemination technicians, 4% from the collection of milk samples, 3% from the linear evaluation service.

### Financial results and financial position of the company

The Company's net turnover in 2019 were EUR 1,079,253, which is 11.4% higher than in 2018. Income from sales of animal bioproducts in 2019 has increased by 6.6%, from sales of grains by 28.8%. The company's profit is 130,399 EUR.

During the reporting period, the company received EUR 81,500 from state and EU subsidies. Subsidies have been received for the maintenance of breeding animals, EU area payments and funding from EU funds. Revenue from the European Union's Structural Funds co-financing for 2019 amounts to EUR 10,278.

In 2019, the Company acquired fixed assets for the total amount of EUR 147,815, including: plot Centra Mazdārziņi 9.48 ha for the amount of EUR 81,815, car Renault Master for EUR 20,257, seed drill Vaderstad RD400C for EUR 19,000, cultivator HORSCH TERRANO4 FX for EUR 22,650, manure conveyors KSG-7/9/ for EUR 1,322, a multifunction copier for EUR 1,225, as well as other fixed assets for the total amount of EUR 1,546.

Analysis of the company's Financial Performance Indicators:

<b>Financial Performance Indicators:</b>	<b>Normative</b>	<b>2019</b>	<b>2018</b>
<b>Total liquidity coefficient</b> <i>(current assets / current liabilities)</i>	> 2 = 2	3.37	4.25
<b>Share of liabilities in the balance sheet</b> <i>(Total liabilities / Balance sheet)</i>	0 - 0.5	0.21	0.15
<b>Net profit margin (%)</b> <i>(Net profit / Net turnover)</i>	compares periods	0.12	0.08
<b>Asset turnover ratio</b> <i>(Net turnover / Assets)</i>	> 1 = 1	0.48	0.50
<b>Business activity</b> <i>(Equity / Long-term investments)</i>	> 0 = 0	1.49	1.50

### Future development of Company and future prospects

1. Retain existing ones and continue to attract new customers.
2. Optimize product production and sales costs.
3. Buy or lease additional agricultural land for the needs of the grain industry.
4. Continue to use the opportunity to attract EU funds.



## Management Report *(continued)*

In 2020, the company plans to increase the sales of biomaterials by attracting new customers. In March 2020, Latvia, like other countries, was affected by the coronavirus (COVID-19), which introduces adjustments in the daily operations of many companies and is known to have a significant impact on the Latvian economy. At present, there is still an uncertainty whether the further spread of the coronavirus will be limited by the restrictive measures announced by the government. The spread of the virus could not significantly reduce future demand for artificial insemination services, but the number of cattle and pig herds could decrease faster than in other years, which would reduce sales in this area accordingly. There is currently a great deal of uncertainty about the impact of COVID-19 on the cereals sector. As a result, it is likely that the total amount of grain produced will be lower, which could lead to higher prices, which will increase total revenue. It may just as well be the opposite situation that, as there is currently a high demand for cereals, more will be produced and then prices could fall and revenues in this sector fall. The real impact of this issue on the operations of companies can be determined only when the position of both Latvian and foreign governments on these issues is fully clear. Thus, there is currently no rational basis for the assessment. The company's future operations will be organized and carried out as before, in accordance with the precautions taken to prevent the spread of COVID-19.

In preparing the financial statements, management has assessed the Company's ability to continue as a going concern.

### Dividends or loss compensation recommended by the Board

The Board recommends leaving a profit unallocated.

Chairman of the Board

Gatis Kaķis

Member of the Board

Sigita Lukaže

Member of the Board

Mārtiņš Muižnieks

## **INDEPENDENT AUDITOR'S REVIEW REPORT**

**To the shareholders of AS "Kurzemes ciltslietu un mākslīgās apsēklošanas stacija"**

### **Review Report on the Financial Statements**

#### *Introduction*

We have reviewed the accompanying financial statements of AS "Kurzemes ciltslietu un mākslīgās apsēklošanas stacija", Reg.no. 40003017085, (hereinafter „Company”) set out on pages 3 to 30, which comprise the balance sheet as at December 31, 2019, and the profit and loss statement for the year then ended, and a summary of significant accounting policies and other explanatory information..

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the 'Law 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.

#### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the accompanying financial statements. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2400, Engagements to Review Historical Financial Statements. ISRE 2400 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects in accordance with the with the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia. This Standard also requires us to comply with relevant ethical requirements.

A review of financial statements in accordance with ISRE 2400 is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these financial statements.

#### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that these financial statements do not give a true and fair view of the financial position AS "Kurzemes ciltslietu un mākslīgās apsēklošanas stacija" as at December 31, 2019, and of its financial performance and cash flows for the year then ended, in accordance with 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

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### **Report on Other Legal and Regulatory Requirements**

In addition, our responsibility is to assess whether the accounting information included in the Management Report, as set out on pages 31 to 32, the preparation of which is the responsibility of management, is consistent with the financial statements. Our work with respect to the Management Report was limited to the aforementioned scope and did not include a review of any information other than drawn from the financial statements of the Company. Nothing has come to our attention that causes us to believe that there are material inconsistencies between the Management Report and the financial statements.

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**Biruta Novika**   
Member of the Board,  
Responsible Sworn Auditor, Certificate No. 106

Riga, Latvia

March 20, 2020