

## Independent Auditor's Report

### To the shareholders of JSC "Siguldas ciltslietu un mākslīgās apsūklošanas stacija"

#### *Our Opinion on the Financial Statements*

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

- the balance sheet as of 31 December 2023,
- the profit and loss statement for the year then ended,
- the statement of changes in equity for the year then ended,
- the statement of cash flows for the year then ended, and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of JSC "Siguldas ciltslietu un mākslīgās apsūklošanas stacija" as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

#### *Basis for Opinion*

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

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

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

#### *Key Audit Matters*

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



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

Key audit matter	How our audit addressed that matter
<p><b><i>Inventory valuation</i></b></p> <p>As disclosed in Note 12 to the financial statements, as of December 31, 2023, the Company's finished goods and goods for sale amount to EUR 1'001'456, which is 48% of the Company's total assets as of December 31, 2023. The calculation of the cost of the inventory is a complex process due to the specifics of the Company's operation. The process requires management assumptions regarding the allocation of the production overhead costs. Due to the above circumstances, we consider the valuation of inventory to be a key audit matter.</p>	<p>We obtained an understanding of the manufacturing process by discussing it with the Company's management and evaluated whether the accounting policies for inventory valuation meet the requirements of the Latvian legislation.</p> <p>On a random selection basis, we tested the adequacy of the cost of specific goods items.</p> <p>We performed analytical procedures over the accuracy of the costing elements and cost of inventory by comparing them to prior periods. We selected a sample of finished goods and compared their book value to the subsequent selling price to identify whether the selling price of any items was lower than the book value.</p> <p>We have also assessed whether the disclosures in the financial statements are in accordance with Latvian legislation.</p>

#### *Other Matter*

##### *Reporting on Other Information*

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

- Information about the Company, as set out on page 3 of the accompanying Annual Report,
- the Management Report, as set out on page 4 of the accompanying Annual Report,
- the Statement on Management Responsibility, as set out on page 24 of the accompanying Annual Report,
- Corporate governance report prepared by the Company's management as a separate document and publicly available on the Company's website <http://www.sigmas.lv/>
- Remuneration Report prepared by the Company's management as a separate document and publicly available on the Company's website <http://www.sigmas.lv/>.

Our opinion on the financial statements does not cover the other information included in the Annual Report, and we do not express any form of assurance conclusion thereon, except as described in the *Other reporting responsibilities in accordance with the legislation of the Republic of Latvia related to other information* section of our report.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed and in light of the knowledge and understanding of the entity and its environment obtained in the course of our audit, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



*Other reporting responsibilities in accordance with the legislation of the Republic of Latvia related to other information*

In addition, in accordance with the Law on Audit Services of the Republic of Latvia with respect to the Management Report, our responsibility is to consider whether the Management Report is prepared in accordance with the requirements of the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

Based solely on the work required to be undertaken in the course of our audit, in our opinion:

- the information given in the Management Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Management Report has been prepared in accordance with the requirements of the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

In accordance with the Law on Audit Services of the Republic of Latvia with respect to the Statement of Corporate Governance, our responsibility is to consider whether the Statement of Corporate Governance includes the information required in section 56.1, first paragraph, clause 3, 4, 6,, 8 and 9, as well as section 56.2, second paragraph, clause 5, and third paragraph of the Financial Instruments Market Law and if it includes the information stipulated in section 56.2 second paragraph, clause 1, 2, 3, 4, 7 and 8 of the Financial Instruments Market Law.

In our opinion, the Statement of Corporate Governance includes the information required in section 56.1, first paragraph, clause 3, 4, 6, 8, and 9, as well as section 56.2, second paragraph, clause 5, and third paragraph of the Financial Instruments Market Law and it includes the information stipulated in section 56.2 second paragraph, clause 1, 2, 3, 4, 7 and 8 of the Financial Instruments Market Law.

In accordance with the Law on Audit Services of the Republic of Latvia with respect to the Remuneration Statement, our responsibility is to consider whether the Remuneration Statement includes the information required in Section 59.<sup>4</sup> of the Financial Instrument Market Law and whether significant non-conformities have been established in the Remuneration Statement in relation to the financial information indicated in the annual Statement;

In our opinion, the Remuneration Statement includes the information required in section 59.<sup>4</sup> of the Financial Instrument Market Law and no material inconsistencies with the annual report identified.

*Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

*Auditor's Responsibility for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in



accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and objectivity, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



*Other reporting responsibilities and confirmations required by the legislation of the Republic of Latvia and the European Union when providing audit services to public interest entities*

We were appointed as auditors by shareholders' resolution of 21 April 2023 to audit the financial statements of JSC "Siguldas ciltslietu un mākslīgās apsēklošanas stacija" for the year ended 31 December 2023. Our total uninterrupted period of engagement is [5] years, covering the periods ending 31 December 2019 to 31 December 2023.

We confirm that:

- as referred to in paragraph 37.6 of the Law on Audit Services of the Republic of Latvia we have not provided to the Company the prohibited non-audit services (NASs) referred to in EU Regulation (EU) No Article 5 (1) of Regulation (EU) No 537/2014. We also remained independent of the audited entity in conducting the audit.

*Report on the Auditors' Examination of the European Single Electronic Format (ESEF) Report*

In addition to our audit of the accompanying financial statements, as included in the Annual Report, we have also been engaged by the management of the company to express an opinion on the compliance of the financial statements prepared in a format that enables uniform electronic reporting ("the ESEF Report") with the requirements of the commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "RTS on ESEF").

*Responsibilities of Management and Those Charged with Governance for the ESEF Report*

Management is responsible for the preparation of the financial statements in a format that enables uniform electronic reporting that complies with the RTS on ESEF This responsibility includes:

- the preparation of the financial statements in the applicable xHTML format;
- the design, implementation, and maintenance of internal control relevant to the application of the RTS on ESEF '

Those charged with governance are responsible for overseeing the financial reporting process.

*Auditors' Responsibility for the Examination of the ESEF Report*

Our responsibility is to express an opinion on whether the ESEF report complies, in all material respects, with the RTS on ESEF, based on the evidence we have obtained. The assurance engagement was performed in accordance with International Standard on Assurance Engagements 3000 (Revised), which is not an audit or review of historical financial information (SAUS 3000), issued by the International Auditing Standards Board.

A reasonable assurance engagement in accordance with ISAE 3000 involves performing procedures to obtain evidence about compliance with the RTS on ESEF. The nature, timing, and extent of procedures selected depend on the auditor's judgment, including the assessment of the risks of material departures from the requirements of set out in the RTS on ESEF, whether due to fraud or error. Our procedures included, among other things, evaluating the appropriateness of the format of the financial statements.

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



*Opinion*

In our opinion, the Company's financial statements prepared in the unified electronic reporting format, identifiable by Hash Code SHA256:

35CDC5C169E0DA8DA97587BB0D3AFFD495085216DD57909CFDEBC3D26B737F74 for the year ended December 31, 2023, comply in all material respects with the requirements of ESEF RTS.

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

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

*This report is an English translation of the original Latvian. between the two reports, the Latvian version prevails.*

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Licence No. 28

Natālija Zaiceva  
Member of the Board

Olga Kuzmiča  
Sworn Auditor  
Certificate No. 207

Riga, Latvia  
March 22, 2024

