

“Agro Dairy” LLC

Consolidated Financial Statements and Independent Auditor’s Report

31 December 2021



Independent Auditor's Report

To the Shareholders and Management of "Agro Dairy" Limited Liability Company:

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of "Agro Dairy" Limited Liability Company (the "Company") and its subsidiary (together – the "Group") as at 31 December 2021, and the Group's consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2021;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

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

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.



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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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.

PricewaterhouseCoopers Audit Azerbaijan LLC

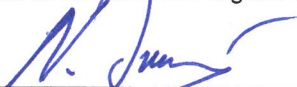
Baku, the Republic of Azerbaijan

5 April 2023

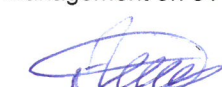
"Agro Dairy" LLC
Consolidated Statement of Financial Position

<i>In thousands of Azerbaijani Manats</i>	Note	31 December 2021	31 December 2020
Assets			
Non-current assets			
Property, plant and equipment	8	227,572	231,257
Right-of-use assets	9	4,816	4,692
Intangible assets		151	-
Prepayments	13	2,217	-
Total non-current assets		234,756	235,949
Current assets			
Biological assets	10	19,759	17,064
Inventories	11	30,872	41,962
Trade and other receivables	12	2,956	1,562
Prepayments	13	1,664	6,202
Other tax receivables		540	485
Cash and cash equivalents	14	8,995	5,224
Other current assets		123	206
Total current assets		64,909	72,705
Total assets		299,665	308,654
Equity			
Share capital	15	11,800	11,800
Other reserves		256,287	276,781
Accumulated deficit		(81,437)	(78,805)
Total equity		186,650	209,776
Non-controlling interest		1	2
Liabilities			
Non-current liabilities			
Borrowings	16	102,099	89,904
Lease liabilities	9	4,372	4,128
Total non-current liabilities		106,471	94,032
Current liabilities			
Lease liabilities	9	317	360
Trade and other payables	18	5,526	4,297
Advances received		700	187
Total current liabilities		6,543	4,844
Total liabilities		113,014	98,876
Total liabilities and equity		299,665	308,654

Approved for issue and signed on behalf of Management on 5 April 2023.



Niyazi Amirbayov
Chief Executive Officer



Elnur Aliyev
Chief Financial Officer

The accompanying notes on pages 5 to 34 are an integral part of these financial statements.

"Agro Dairy" LLC**Consolidated Statement of Profit or Loss and Other Comprehensive Income**

<i>In thousands of Azerbaijani Manats</i>	Note	2021	2020
Revenue from contracts with customers	19	62,042	45,568
Cost of sales	20	(57,575)	(42,633)
Loss on revaluation of biological assets and agricultural produce	10	(9,348)	(2,927)
Government grants related to crop cultivation		10,535	10,016
Government grants related to sales		507	704
Other income	21	114	145
Selling, general and administrative expenses	22	(7,010)	(7,996)
Loss on modification and termination of financial liabilities		(6,695)	-
Impairment of fixed assets	8	-	(39,507)
Net impairment recoveries on financial assets	12	161	1,787
Irrecoverable VAT		(1,510)	(1,258)
Operating loss		(8,779)	(36,101)
Finance costs	17	(14,334)	(12,219)
Loss before income tax		(23,113)	(48,320)
Income tax expense	24	(13)	715
Loss for the year		(23,126)	(47,605)
Total comprehensive loss for the year		(23,126)	(47,605)

The accompanying notes on pages 5 to 34 are an integral part of these financial statements.

"Agro Dairy" LLC
Consolidated Statement of Changes in Equity

<i>In thousands of Azerbaijani Manats</i>	Share capital	Other reserves	Accumulated Deficit	Total
At 1 January 2020	11,800	288,507	(42,926)	257,381
Loss for the year	-	-	(47,605)	(47,605)
Total comprehensive loss for 2020	-	-	(47,605)	(47,605)
Transfer from other reserves to accumulated deficit	-	(11,726)	11,726	-
Balance at 31 December 2020	11,800	276,781	(78,805)	209,776
Loss for the year	-	-	(23,126)	(23,126)
Total comprehensive loss for 2021	-	-	(23,126)	(23,126)
Transfer from other reserves to accumulated deficit	-	(20,494)	20,494	-
Balance at 31 December 2021	11,800	256,287	(81,437)	186,650

The accompanying notes on pages 5 to 34 are an integral part of these financial statements.

"Agro Dairy" LLC
Consolidated Statement of Cash Flows

<i>In thousands of Azerbaijani Manats</i>	Note	2021	2020
Cash flows from operating activities			
Receipts from customers		59,813	49,016
Government grants received		12,551	12,902
Payments to suppliers and employees		(56,610)	(56,259)
Other income received		82	146
Cash flows from operating activities before changes in operating assets and liabilities		15,836	5,805
<i>Changes in operating assets and liabilities:</i>			
Decrease/(increase) in inventories		10,953	(1,783)
Increase in tax receivables		(1,566)	(645)
Decrease in other assets		81	271
Net cash from operating activities		25,304	3,648
Cash flows from investing activities			
Purchases of property, plant and equipment and intangible assets		(12,454)	(512)
Proceeds from the sale of property, plant and equipment		51	-
Net cash used in investing activities		(12,403)	(512)
Cash flows from financing activities			
Proceeds from borrowings		1,701	-
Repayment of borrowings		(10,000)	(10,000)
Repayment of lease liabilities		(283)	(325)
Interest paid		(535)	(493)
Acquisition of non-controlling interest in subsidiaries		-	2
Net cash used in financing activities		(9,117)	(10,816)
Effect of exchange rate changes on cash and cash equivalents		(13)	-
Cash and cash equivalents at the beginning of the year		5,224	12,904
Cash and cash equivalents at the end of the year	14	8,995	5,224

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