

AS "APF HOLDINGS"

CONSOLIDATED ANNUAL REPORT

for the 12 months period ended 31 December 2021

CONTENTS

General Information	3
Report of the Management	4 - 5
Financial statements	
Income statement	6
Balance sheet	7 - 8
Statement of changes in equity	9
Cash flow statement	10
Notes to the financial statements	11 - 23
Independent Auditor's Report	24 - 26

GENERAL INFORMATION

Name of the Group's parent company	APF Holdings
Legal status of the Group's parent company	Public limited company (AS) until 22.01.2021 - Limited liability company (SIA)
Number, place and date of registration	Commercial register No. 50203047991 Riga, February 3, 2017
Address	Avenue Kārļa Ulmaņa 119 Mārupes Municipality, Mārupe, LV - 2167 Latvia
Group's type of operations	Operation of holding companies, poultry farming, production and marketing of chicken eggs
Shareholders of the Group's parent company	SIA "J.A. Investment Holdings" - 52.4% Juris Adamovičs - 30.0% Omni Industries B.V. - 5.9% SIA "Jutroserv" - 5.9% SIA "Olive Invest" - 5.9%
Members of the Board of the Group's parent company	From: 03.02.2021: Juris Adamovičs - Chairman of the Board Hermanis Dvorgijs - Member of the Board Mihails Keziks - Member of the Board Till 03.02.2021: Juris Adamovičs - Member of the Board
Members of the Council	From 29.12.2021: Aleksandrs Adamovičs - Chairman of the Council Dmitrijs Adamovičs - Deputy Chairman of Council Olga Adamoviča - Member of the Council From 03.02.2021 till 29.12.2021: Aleksandrs Adamovičs - Chairman of the Council Jūlija Adamoviča - Deputy Chairman of Council Olga Adamoviča - Member of the Council From 22.01.2021 till 03.02.2021: Aleksandrs Adamovičs - Chairman of the Council Jūlija Adamoviča - Deputy Chairman of Council Stanislav Savchenko - Member of the Council
Financial year	1 January - 31 December, 2021
Auditor's name and address:	Baker Tilly Baltics AS License No. 80 Kronvalda boulevard 10 Riga, LV-1010 Latvia Certified auditor in charge Ēriks Bahirs Certificate No.136

REPORT OF THE MANAGEMENT

Type of operations

The type of principal activity of the joint stock company APF Holdings (hereinafter – the Company) (the previous name – Limited liability company APF Holdings) is operation of holding companies, management of poultry and hen egg production companies.

The main activities of subsidiaries are:

- SIA "Alūksnes putnu ferma" - poultry farming and egg production;
- SIA "APF Trading" - wholesale of chicken eggs;
- SIA "Oluksne" - provision of poultry farming and egg production services;
- SIA "APF Energy"- production of gas and organic fertilisers;
- SIA "Preiļu putni" - poultry farming, rearing of young birds.

Performance of the Group during the financial year

The companies within the group are engaged in the hen housing, production of chicken eggs and the processing of egg products and by-products. Each company in the group has its own operational role, but all these roles are united by one goal - to develop and improve activities related to the production of chicken eggs in order to create a sustainable, full-cycle, vertically integrated concern.

During the reporting year the Company successfully developed main business scope – production and sales of chicken eggs. The most important event of 2021 is completion and putting into operation of the third hen house. In new hen house production of eggs was commenced using currently the most modern and more beneficial hen laying method – "Barn eggs – No.2". After commencement of operational activities of the third hen house, the group of companies mostly produces "Barn eggs – No.2". When reaching the cumulative production capacity above 120 million eggs per year, APF group has managed to turn to the development of such new areas of activity as egg processing and production of egg products, pullet rearing, as well as manure processing.

The Company continued to develop visibility of produce of the group by both, participation in the international advertisement events as well as promoting the image of the group on mass media, therefore the produce produced by the group is successfully sold to the Latvian customers, as well as export customers in Estonia, Finland, Great Britain, France, Belgium, Germany, and other member states of the European Union.

Research and development

As the Group's production capacity and product range increase, the Group's companies intensively involves in research activities, such as product analysis in collaboration with scientists and laboratories, in order to evaluate more specific recycling and reuse possibilities, also emissions analysis and solutions to reduce this amount, also improvement of animal welfare and reduction of the impact to environment.

In the reporting year, the Group invested EUR 2 458 in research and development.

Financial risk management

The policy of financial risk management of the Company is described in the financial report's Notes 33

Report of the management - continuation

Subsequent events

In February 2022, the Russian military invasion of Ukraine began. In this context, many European Union and other countries have imposed sanctions on Russia, the scope of which is constantly changing. The Company considers this situation as a non-adjusting event after the reporting date. The company is closely monitoring the situation. Since the beginning of the invasion, the subsidiary company Alūksnes putnu ferma SIA faced a sharp rise in the prices of feed ingredients and changes in their supply chains, in addition, some suppliers have reduced trade credit limits. On the other hand, cooperating with retail chains, the subsidiary together with other market participants was able to reach a common understanding on the faster revision of egg prices in accordance with the increase in costs. Due to the uncertain and rapidly changing situation, the Company does not consider as necessary to carry out a quantitative assessment of the possible impact of the war on the Company and its financial indicators.

In October 2021 the Company has established a new subsidiary SIA "APF Energy", which will engage in development of biomethane and granular mineral fertilizer production projects in the real estate territory owned by the group.

Future prospects

In the next reporting period, the Company plans to continue the work on promotion of development of subsidiaries, to support increase of their production capacities and acquisition of new areas of activity. The work on production of egg products, pullet rearing, and by-product processing and further development of the group will be continued.

Jurijs Adamovičs
Chairmen of the Board

Riga, 10 December 2022

INCOME STATEMENT

	Notes	2021 EUR
Revenue	(4)	3 938 527
Costs of goods sold or services provided	(5)	(4 546 961)
Gross profit or losses		(608 434)
Distribution expenses	(6)	(352 062)
Administrative expenses	(7)	(648 767)
Other operating income	(8)	2 338 988
Other operating expenses	(9)	(50 745)
Interest and similar expenses incl.	(10)	(541 873)
<i>a) from group companies</i>		(5 215)
<i>b) for other parties</i>		(536 658)
Profit or losses before corporate income tax		137 107
Corporate income tax for the financial year	(11)	(1 836)
Profit or losses for the financial year		135 271

Notes on pages 11 to 23 are an integral part of these financial statements.

Jurijs Adamovičs
Chairmen of the Board

Mihails Keziks
responsible for the preparation
the consolidated annual report

Riga, 10 December 2022

BALANCE SHEET

		31.12.2021. EUR
	Notes	
<u>ASSETS</u>		
Non-current assets		
Intangible assets		
Concessions, patents, licenses, trademarks and similar rights	(12)	1 136
Other intangible assets	(12)	2 017
Intangible assets under development	(12)	1 190
Advances for intangible assets	(12)	4 895
Total intangible assets:		9 238
Fixed assets, investment properties and biological assets		
Immovable properties		
a) land plots, buildings and engineering structures	(13)	4 262 908
Technological equipment and machinery	(13)	5 987 432
Other fixed assets and inventory	(13)	201 542
Fixed assets under development and construction in progress	(13)	56 781
Total fixed assets:		10 508 663
Total non-current assets:		10 517 901
Current assets		
Inventories		
Raw materials and consumables	(14)	177 089
Finished goods and goods for sale		32 849
Agricultural assets		
a) animals and annual plantings	(15)	1 622 172
Total inventories:		1 832 110
Account receivable		
Trade receivables	(16)	374 335
Other receivables	(17)	17 562
Deferred expenses	(18)	15 341
Total receivables:		407 238
Cash and bank	(19)	15 331
Total current assets:		2 254 679
<u>Total assets</u>		<u>12 772 580</u>

Notes on pages 11 to 23 are an integral part of these financial statements.

AS "APF Holdings"
CONSOLIDATED ANNUAL REPORT
for the 12 months period ended 31 December 2021

BALANCE SHEET

	Notes	31.12.2021. EUR
<u>EQUITY, PROVISIONS AND LIABILITIES</u>		
Equity		
Share capital	(20)	1 700 000
f) other reserves		775
Retained earnings or uncovered losses brought forward from previous years	(21)	(4 403 924)
Current year profit or losses	(21)	135 271
Total equity:		<u>(2 567 878)</u>
Liabilities		
Non-current liabilities		
Loans from banks	(22)	5 802 350
Other borrowings	(23)	5 072 381
Deferred income	(27)	2 593 167
Total non-current liabilities:		<u>13 467 898</u>
Current liabilities		
Loans from banks	(22)	28 833
Other borrowings	(23)	121 995
Advances from customers	(24)	100 000
Trade payables		1 115 192
Taxes and state social insurance payments	(25)	192 745
Other creditors	(26)	58 762
Deferred income	(27)	92 184
Accrued liabilities	(28)	162 849
Total current liabilities:		<u>1 872 560</u>
Total liabilities:		<u>15 340 458</u>
<u>Total equity, provisions and liabilities</u>		<u><u>12 772 580</u></u>

Notes on pages 11 to 23 are an integral part of these financial statements.

Jurijs Adamovičs

Chairmen of the Board

Riga, 10 December 2022

Mihails Keziks

responsible for the preparation
the consolidated annual report

STATEMENT OF CHANGES IN EQUITY

	Notes	2021 EUR
Share capital		
Opening balance		1 000 000
Increase/decrease in share capital		700 000
Closing balance		<u>1 700 000</u>
Reserves		
Opening balance		775
Closing balance		<u>775</u>
Retained earnings		
Opening balance		(4 403 924)
Current year profit or losses		135 271
Closing balance		<u>(4 268 653)</u>
Equity		
Opening balance		(3 403 149)
Closing balance		<u><u>(2 567 878)</u></u>

Notes on pages 11 to 23 are an integral part of these financial statements.

 Jurijs Adamovičs

Chairmen of the Board

Riga, 10 December 2022

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CASH FLOW STATEMENT

	Notes	2021 EUR
Cash flow from operating activities		
Profit or losses before corporate income tax		137 107
<u>Adjustments for:</u>		
depreciation and impairment of fixed assets	(13)	313 208
depreciation and impairment of intangible assets	(12)	5 046
interest and similar expenses	(10)	541 873
Profit or loss before adjustments to the effect of changes in current assets and short-term creditor balances		997 234
Increase or decrease of account receivable		(105 056)
Increase or decrease of inventory		(1 092 831)
Increase or decrease of account payables and other liabilities		(1 925 376)
Gross cash flow generated from operating activities		(2 126 029)
Interest payments		(497 192)
Corporate income tax payments		(4 284)
Net cash flow generated from operating activities		(2 627 505)
Cash flow from investing activities		
Acquisition of fixed and intangible assets		(2 857 860)
Loans issued		(100)
Net cash flow generated from investing activities		(2 857 960)
Cash flow from financing activities		
Proceeds from issue of stocks and debentures or investments in share capital		9 165
Net borrowings received		5 565 500
Subsidies, grants, gifts or donations received		225 076
Repayment of loans		(362 762)
Net cash flow generated from financing activities		5 436 979
Net cash flow in the financial year		(48 486)
Cash and cash equivalents at the beginning of the financial year	(19)	63 817
Cash and cash equivalents at the end of the financial year	(19)	15 331

Notes on pages 11 to 23 are an integral part of these financial statements.

Jurijs Adamovičs

Chairmen of the Board

Riga, 10 December 2022

Mihails Keziks

responsible for the preparation
the consolidated annual report

NOTES TO THE FINANCIAL STATEMENTS

(1) Summary of accounting policies

General principles

The consolidated financial statements are prepared in accordance with the Laws of the Republic of Latvia "On Accounting" and "On the Annual Report and Consolidated Annual Report" (the Law).

Based on the financial data for the two recent years, the Group is classified as a small Group. Financial statements disclose all information as defined by the Law, as well as additional information to provide fair and clear view.

The financial statements have been prepared according to the historical cost accounting principle. The income statement is prepared in accordance with the function of expense method. The cash flow statement has been prepared under indirect cash flow method.

Compared to the previous reporting year, the accounting and valuation methods used by the Group have not changed.

General accounting principles

Financial statement items are valued according to the following accounting principles:

- a) it is assumed that the Company will continue its activities;
- b) unless specified separately, the same valuation methods are used as in the previous year;
- c) valuation is made with sufficient care, including:
 - profit is recognized only if earned before the end of financial year;
 - all known and foreseeable liabilities and losses occurred before the end of the financial year shall be considered, even if they were revealed during the period between the end of the financial year and the day of preparation of the financial statement;
 - all asset impairment losses and depreciation are considered, regardless of whether the financial year is closed with profit or loss.
- d) unless specified separately, revenues and expenses are recognized according to accruals method, that is, considering the moment of their occurrence regardless of the day of payment and day of invoice issue or receipt. Expenses are reconciled with the revenues in the financial year.
- e) The sections of the items of Assets and Equity, Provisions and Liabilities are measured and classified separately. Income and expenses are classified and disclosed separately except the gains or losses from sale of non-current assets and from similar transactions (e.g., the result of currency exchange rate fluctuation or the result of sale or purchase of foreign currency), which are offsetted.
- f) Transactions are reflected with account of their economic intention and matter and not with account of their legal form.

Consolidation methods

The Group's parent company and all of its subsidiaries are consolidated using the acquisition or purchase method. Subsidiaries are consolidated from the time of its incorporation till their disposal when the parent's control over the subsidiary ceases. In preparation of the consolidated financial statements, all Group intercompany transactions, balances and unrealized profits and losses from transaction with Group companies are eliminated.

Foreign currency conversion in euro

This financial statement is prepared in euro (EUR), which is the functional currency of the Company and the official currency of the Republic of Latvia.

All transactions denominated in foreign currencies are converted into euro at the exchange rate set by the European Central Bank on the day of transaction. Monetary assets and liabilities denominated in foreign currencies are translated into euro in accordance with the official exchange rate set by European Central Bank for the last day of the financial year. The profit or loss resulting from the exchange rate fluctuations of the foreign currency are recognized in the income statements in the respective period on net amount.

Income recognition and revenue

Revenue contains the total value of goods and services sold during the year excluding discounts and value added tax.

Income is recognized according to the following principles:

Sales of goods - after significant ownership risk and rewards have been passed to the buyer;

Rendering of services - when services are provided;

Interest income - on an accrual basis.

Intangible and fixed assets

Intangible and fixed assets are initially recognized at the purchase cost. Purchase cost includes costs directly related to the acquisition of an intangible or fixed asset. In financial statements, the intangible and fixed assets are recognized at purchase cost less depreciation.

Depreciation is calculated on a straight-line basis applying the following rates of depreciation set by the management, based on the estimated useful life of the fixed assets:

	Depreciation period in years
Other intangible investments	3-10
Buildings (except engineering networks)	50
Buildings (external and internal engineering networks)	20-30
Technological equipment	20-30
Other machinery and equipment, transport vehicles	3-10

The Group capitalizes its fixed assets valued over EUR 100 with useful life exceeding 1 year. Depreciation for improvements and other low-cost items with the value less than EUR 100 is recognized by 100 % after commissioning.

If sufficient evidence is acquired that the future economic benefit associated with subsequent repair or reconstruction costs will flow to the Company, which exceeds the return set previously, costs are capitalized as additional costs to the fixed asset. Capitalizing the cost of replaced parts, the carrying amount of the part replaced is derecognized and charged to the income statement. All other repair and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Net gains or losses from disposal of fixed assets is calculated as the difference between the carrying amount of the fixed asset, write-off of related assets revaluation reserve (if any) and proceeds from sale, and recognized in the income statements during the period when disposal are incurred.

If it is possible to conclude due to any kind of occurrence or circumstances that residual value of fixed or intangible assets could exceed its recoverable value, appropriate value of fixed or intangible asset is to be decreased until recoverable value. Recoverable value is calculated as the highest of fair value less costs to sell or value in use.

Capitalization of borrowing and other costs

The cost of asset under development is increased by borrowing costs and other direct costs during the period of time that is required to complete and prepare the asset for its intended use. The cost of asset is not increased by borrowing costs during the period with no active development of asset.

Research and development costs

Research costs are recognized in the income statement when incurred. Development costs that relate to development of asset intended for sale or own use, are capitalized and recognized as intangible assets and amortized on a straight-line basis starting from the beginning of commercial production of the respective product over the period when the return on this asset is expected.

Inventories

Inventories are recognized at the lower of purchase or production cost and net realizable value. Purchase costs consists of purchase value and overheads, which have been acquired, by delivering inventories at their current position and value.

The costs of materials and other expenses that are directly connected with the production of the appropriate item as well as a respective part of overhead expenses based on the normal capacity of production facilities are included in the production cost of inventories. Selling expenses are not included in cost. The balance value of the inventories is calculated by using the FIFO method. When the net realizable value of inventories is lower than its costs, the difference is recognized as provisions for the decrease of value.

Labour and productive animals (laying hens) are accounted for at their cost, which is reduced during the productive time of laying hens.

Account receivable

Trade receivables are recognized at invoiced amounts. After the initial recognition account receivables are measured at net amount less provisions for doubtful debts. Provisions for doubtful receivables are recognized when the management of the Company considers that it is probable that the total amount of receivables will not be collected in full.

Borrowings

Borrowings are recognized at the proceeds, net of transaction costs incurred.

Accrued liabilities for unused annual leave

Amount of accumulated unused annual leave is determined by multiplying the average day rate of employees for the last six months of the financial year by the amount of accrued but unused annual leave at the end of the reporting year.

Grants and government assistance

Financial support received for the formation of fixed assets and other long-term assets is accounted for as income from subsequent periods, which are gradually included in revenue during the useful life period of assets received or acquired with financial support. Other financial support and the payment of grant expenditure shall be allocated to revenue during the same period as the financing.

Corporate income tax

Based on the new Corporate income tax law the tax regime has been significantly changed. Starting from the year 2018 there are no payable income tax on earned profit. Income tax is payable only on dividends distributed and deemed profit distribution. The tax rate is 20% on gross amount or 20/80 of the net amount paid. The new tax law include some transitional provisions:

- retained earnings as at 31 December 2017 will not be taxed in additional by 20% tax when dividends will be distributed (with some additional limitations);
- accrued tax losses could be utilized within 5 years period but with the annual limit of 50% on income tax calculated for dividends distributed.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash, the balances of the current bank account and other current liquid financial assets.

Group companies

Subsidiaries of the Group or the parent company of the Group, or other subsidiaries of the Group, or subsidiaries of the subsidiaries of the Group are regarded as the Group companies.

Related parties

Related parties are considered Group companies, Board and Council members, their close family members and entities, in which the previously mentioned persons or companies have significant influence or control.

(2) The Group's parent company

AS APF Holdings (hereinafter - the Company) is a company registered in the Register of enterprises of the Republic of Latvia. As at 31 December 2021, these consolidated financial statements contain information on the entity and its subsidiaries as a whole (hereinafter - the Group).

(3) The Group's subsidiaries

A subsidiary is a company under significant influence of the parent company, when the parent company directly or indirectly influences the financial and operating policies of the subsidiary with the purpose to gain from its operations. Subsidiary's financial informations is included in the consolidation starting from the date when the significant influence starts until the loss of the significant influence.

a) Subsidiaries included in the consolidation:

- subsidiary of the Group SIA Alūksnes Putnu Ferma, which was acquired by the company in August 2017 for a total value of EUR 3,000,000. As of 31 December 2022, registered and fully paid-up share capital amounts to EUR 3,000,000.
- the subsidiary of the Group APF trading, SIA, which the company has established on 16.02.2017 for a total value of EUR 2.800. As of 31 December 2021, registered and fully paid-up share capital amounts to EUR 2,800.
- subsidiary company of the Group SIA "Oluksne", which the company has established on 15.02.2017 for a total value of EUR 2.800. As of 31 December 2021, registered and fully paid-up share capital amounts to EUR 2,800.
- subsidiary of the Group SIA "Preiļu putni", which the company has established on 02.02.2021 for a total value of EUR 2.800. As of 31 December 2021, registered and fully paid-up share capital amounts to EUR 2,800.
- the subsidiary of the Group, SIA "APF Energy", which the company has established on 12.10.2021 for a total value of EUR 2.800. As of 31 December 2021, registered and fully paid-up share capital amounts to EUR 2,800.

Name	Address	Type of operations	Participating interest	
			31.12.2021.	31.12.2020.
			%	%
SIA Alūksnes Putnu Ferma	"Putni", Ziemera Parish., Aluksnes Municipality., LV-	poultry farming	100	100
SIA APF Trading	Marupes Municipality., Marupe, Avenue Karlis Ulmanis 119	wholesaling of milk, milk products and eggs and edible fats and oils	100	100
SIA Oluksne	Marupes Municipality., Marupe, Avenue Karlis Ulmanis 119	personnel placement services	100	100
SIA Preiļu putni	Marupes Municipality., Marupe, Avenue Karlis Ulmanis 119	poultry farming, active activity not yet started	100	100
SIA APF Energy	Kaleju street 51, Jurmala, LV-2008	gas production, active activity not yet started	100	100

(4) Revenue	2021 EUR
a) By operating activities	
Proceeds from the sale of eggs and egg products	3 811 145
Other revenue	390
Proceeds from the disposal of by-products	53 615
Income from the sale of live birds	73 377
	<u>3 938 527</u>
b) By location	
Income from sales of goods/services in Latvia	3 453 478
Income from sales of goods in other countries	12 696
Income from sales of goods in EU	472 353
	<u>3 938 527</u>
(5) Costs of goods sold or services provided	2021 EUR
Costs of raw materials and materials	2 617 857
Depreciation of laying hens	867 190
Salary	297 368
Depreciation of fixed assets and intangible assets	289 246
State mandatory social insurance contributions	69 878
Utility costs	66 469
Subcontracting, outsourcing and outsourcing services	66 050
Costs of buying-in of birds	60 489
Transport services	31 849
Cost of value of materials and goods purchased	23 150
Other production costs	157 414
	<u>4 546 961</u>
(6) Distribution expenses	2021 EUR
Transport costs	246 817
Consultancy costs	23 040
Advertising expenses	14 649
Participating in associations	1 238
Other sales costs	66 318
	<u>352 062</u>

(7) Administrative expenses		2021
		EUR
Salary expenses		216 133
Professional services costs		89 485
Transport costs		52 819
State mandatory social insurance contributions		49 455
Rent expenses		40 322
Depreciation of fixed assets and intangible assets		25 374
Office maintenance costs		20 378
Insurance payments		16 778
Security services		15 262
Unused leave reserve		8 856
Business valuation		6 500
Communication services		3 185
Costs of research		2 458
Ancillary cost of cash turnover		1 507
Cost of business trips		755
Representation costs		225
Other administration costs		99 275
		<u>648 767</u>
(8) Other operating income		2021
		EUR
Depreciation of deferred income (see also Note 24)		92 184
Government grants (including COVID-19 grants)		225 076
Revenues from the creditor's waiver of claims against the Group (see also Note 31)		1 999 876
Other income		21 852
		<u>2 338 988</u>
(9) Other operating expenses		2021
		EUR
Fines paid		17 648
Representation costs		408
Property tax		808
Unused leave reserve		234
Other costs		31 647
		<u>50 745</u>
(10) Interest and similar expenses		
a) from group companies		
Interest charge		5 215
		<u>5 215</u>
b) from other parties		
Interest charge		536 658
		<u>536 658</u>
(11) Corporate income tax		2021
		EUR
Corporate income tax for the current year		1 836
		<u>1 836</u>

(12) Intangible assets

	Concession s, patents, licenses, trade marks EUR	Other intangible assets EUR	Intangible assets under developmen EUR	Advances for intangible assets EUR	Total EUR
Initial cost					
31.12.2020.	8 510	10 845	-	4 895	24 250
Purchase	-	-	1 190	-	1 190
Disposals	-	(1 000)	-	-	(1 000)
31.12.2021.	<u>8 510</u>	<u>9 845</u>	<u>1 190</u>	<u>4 895</u>	24 440
Depreciation					
31.12.2020.	(5 672)	(5 151)	-	-	(10 823)
Calculated	(1 702)	(3 344)	-	-	(5 046)
Disposals	-	667	-	-	667
31.12.2021.	<u>(7 374)</u>	<u>(7 828)</u>	<u>-</u>	<u>-</u>	(15 202)
Net carrying amount 31.12.2020.	<u>2 838</u>	<u>5 694</u>	<u>-</u>	<u>4 895</u>	<u>13 427</u>
Net carrying amount 31.12.2021.	<u>1 136</u>	<u>2 017</u>	<u>1 190</u>	<u>4 895</u>	<u>9 238</u>

(13) Fixed assets

	Land and buildings EUR	Technologic al equipment and machinery EUR	Other fixed assets EUR	Costs of fixed asset creation and construction work in progress EUR	Advance payments for fixed assets EUR	Total EUR
Cost/revaluation						
31.12.2020.	3 333 018	4 734 384	310 729	489 268	30 280	8 897 679
Purchase	886 628	1 835 652	79 114	56 466	-	2 857 860
Reclassification between other asset items	488 953	30 280	-	(488 953)	(30 280)	-
31.12.2021.	<u>4 708 599</u>	<u>6 600 316</u>	<u>389 843</u>	<u>56 781</u>	<u>-</u>	11 755 539
Depreciation						
31.12.2020.	(355 794)	(440 671)	(137 203)	-	-	(933 668)
Calculated	(89 897)	(172 213)	(51 098)	-	-	(313 208)
31.12.2021.	<u>(445 691)</u>	<u>(612 884)</u>	<u>(188 301)</u>	<u>-</u>	<u>-</u>	(1 246 876)
Net carrying amount 31.12.2020.	<u>2 977 224</u>	<u>4 293 713</u>	<u>173 526</u>	<u>489 268</u>	<u>30 280</u>	<u>7 964 011</u>
Net carrying amount 31.12.2021.	<u>4 262 908</u>	<u>5 987 432</u>	<u>201 542</u>	<u>56 781</u>	<u>-</u>	<u>10 508 663</u>

a) Encumbered fixed assets

Information on encumbered fixed assets is given in the 22 and 28 Note

b) Creation of fixed assets

In October 2021, the Group completed the construction and installation of equipment and put the 3rd chicken house into operation. In response to market changes and customer demand, a more modern method of keeping chickens has been provided in the 3rd barn built by the Group (eggs laid in the barn "No. 2")."

(14)	Raw materials, base materials and consumables	31.12.2021.
		EUR
	Fodder, fodder components and vitamins	92 025
	Packaging	57 232
	Other	27 832
		<u>177 089</u>
(15)	Working animals and food producing animals	31.12.2021.
		EUR
	Laying hens	1 622 172
		<u>1 622 172</u>
	The Group accounts for the laying hens at their cost, which is reduced (depreciated) during the productive time of the laying hens.	
(16)	Trade receivables	31.12.2021.
		EUR
	Book value of trade receivables	374 335
		<u>374 335</u>
(17)	Other receivables	31.12.2021.
		EUR
	Guarantee instalment	6 389
	Overpayment of other taxes	146
	Other debtors	6 268
	Supplier overpayments	4 759
		<u>17 562</u>
(18)	Deferred expenses	31.12.2021.
		EUR
	Other expenses	13 379
	Insurance payments	1 962
		<u>15 341</u>
(19)	Cash and bank	31.12.2021.
		EUR
	Cash at bank on current accounts	14 043
	Cash on hand	1 288
		<u>15 331</u>

Information on encumbered funds is given in 22 Note

(20) Share capital

In 2020, the legal type of the parent company of the Group has been changed from the limited liability company to the public limited company. Reorganization completed in 2021.

During the accounting year, part of the loans received were capitalised and the share capital of the parent company of the Group was increased by EUR 700 000.

On 31 December 2021, the registered and fully paid-up share capital of the parent company of the Group amounts to EUR 1 700 000, consisting of 17 000 ordinary shares with a nominal value of EUR 100 each.

(21) Distribution of the Group's profit

At the end of 2021, the retained profits of the parent company of the Group amount to EUR 387 172. The profit distribution of the parent company of the Group was not carried out during the accounting year.

(22) Loans from banks

31.12.2021.

EUR

Non-current

AS Attīstības finanšu institūcija Altum - loan	1 802 350
AS Baltic International Bank - loan	2 500 000
AS Industra Bank - loan	500 000
AS Signet Bank - loan	1 000 000
	5 802 350

Current

AS Citadele Bank credit line	28 833
	28 833

a) AS Attīstības finanšu institūcija Altum - loans

In the reporting year, the subsidiary of the Group Alūksnes putnu ferma, SIA has refinanced all previous loans to AS "Baltic International Bank" and received two new loans from AS "Altum" of EUR 1,500,000 and EUR 302,350 with variable and fixed interest rates. The repayment term of the loan is set until the end of 2025 and May 2023.

b) AS Baltic International Bank - loan

In the reporting year, the subsidiary of the Group Alūksnes putnu ferma, SIA received a new loan from AS "Baltic International Bank" in the amount of EUR 2,500,000 with a variable interest rate. The repayment term of the loan is set until the end of 2025.

c) AS Citadele Bank - credit line

In 2018, the subsidiaries of the Group APF Trading, SIA and Alūksnes putnu ferma, SIA received credit lines/overdrafts from AS Citadele Bank in the amount of EUR 40,000. The loan does not have a set repayment period, it can be automatically extended annually at the discretion of the bank.

d) AS Industra Bank - loan

In the reporting year, the subsidiary of the Group Alūksnes putnu ferma, SIA received a new loan from AS Industra Bank in the amount of EUR 500,000. The loan repayment term has been extended until December 2023 and a variable interest rate has been applied to it.

Loans from banks - continued

e) AS Signet Bank - loans

In 2020, the subsidiary of the Group Alūksnes putnu ferma, SIA received the remaining part of the loan issued by AS Signet Bank and its unpaid part amounted to EUR 500,000. The loan repayment term was extended until July 2023 and the fixed interest rate is applied to it.

Also, in 2020, Alūksnes putnu ferma, SIA took over the Signet Bank loan in the amount of EUR 500,000, which was issued for the purchase of equipment in the new chicken coop. The loan repayment term has been extended until July 2023 and the fixed interest rate has been applied to it.

f) Collaterals

As collateral for claims which may arise in accordance with the entered into loan agreements with credit institutions, the subsidiary of the Group Alūksnes putnu ferma, SIA has pledged all the property owned by the Company (both registrable and non-registrable) as a joint property at the time of pledging, as well as the next components of the joint property.

In the reporting year, the subsidiary of the Group, SIA APF trading, has pledged all of its property, as a collection of things in favour of Baltic International Bank AS, as collateral for the loan agreement of the Bank of the Group company SIA "Alūksnes putnu ferma" with a total amount of EUR 2 500 000. Loan agreements expire in 2025. The commercial pledge shall be in effect until full fulfilment of the liabilities of the subsidiary of the Group SIA "Aluksnes putnu ferma".

In the reporting year, the parent company of the Group as APF Holdings has pledged all of its property, as a collection of things in favour of AS "Attīstības finanšu institūcija Altum", as collateral for the loan agreement of the subsidiary of the Group SIA "Alūksnes putnu ferma" with a total amount of EUR 1 802 350. The terms of the loan agreements until the end of 2025 and May 2023. The commercial pledge shall be in effect until full fulfilment of the liabilities of the subsidiary of the Group SIA "Alūksnes putnu ferma".

		31.12.2021.
(23) Other borrowings		EUR
Non-current		
Loans from individuals ¹		843 176
Borrowing from legal entities ²		4 229 205
		<u>5 072 381</u>
Current		
Borrowing from legal entities ²		21 995
Borrowings from legal entities of the European Union ³		100 000
		<u>121 995</u>

¹ In the reporting year, the previously received loan from the previous shareholder of the Group, an individual person, was capitalized. As of 31.12.2021 an unpaid loan from the Group's beneficial owner in the amount of EUR 843 176 remained, this loan is not secured, no interest applied.

² In the reporting year, the Group received a loan from an non-related legal entity in the amount of EUR 1 251 200 with a repayment term of 2025 and an interest rate of 5%. In addition, the repayment period for the loan received in 2020 from another unrelated legal entity in the amount of EUR 3 000 000 was extended until 2024 (interest rate 4% per year), this loan is secured by a commercial pledge of 30% of the Group's shares.

³ Also, in the reporting year, the Group received several loans from an non-related legal entity registered in the European Union and partially repaid them, but as of 31.12.2021 the unpaid principal amount was 100 thousand. EUR, the loan interest rate was 3%. These loans have been paid in full as of the date of preparation of the consolidated annual report.

In previous reporting years, the Group's subsidiary SIA "Alūksnes putnu ferma" received interest-free loans from the beneficiary of the Group Jurijs Adamovics. Borrowing maturities are set to expire by the end of 2025. In the previous reporting year, the lender has increased the amount of the loan, but on 30 December 2021 the parties have entered into an agreement to redeem the debt of EUR 1 999 876 recognised in the profit or loss account of the consolidated financial statements (see also Note 8).

(24)	Advances from customers	31.12.2021.
		EUR
	Advances received on goods and services	100 000
		<u>100 000</u>
(25)	Taxes and social insurance payments	31.12.2021.
		EUR
	State mandatory social insurance contributions	43 382
	Personal income tax	23 016
	Value added tax	120 543
	Natural resources tax	1 875
	Business risk state duty	262
	Other taxes	3 667
		<u>192 745</u>
(26)	Other creditors	31.12.2021.
		EUR
	Salaries	58 551
	Other creditors	211
		<u>58 762</u>
(27)	Deferred income	31.12.2021.
		EUR
	Non-current	
	EU co-financing for the acquisition of assets - non-current portion	2 593 167
		<u>2 593 167</u>
	EU co-financing for the acquisition of assets - current portion	92 184
		<u>92 184</u>

Deferred income item consist of the financing from Lauku Atbalsta Dienests (LAD) programme received from 2012 to 2015 in the amount of EUR 2 324 431 for the acquisition and reconstruction of fixed assets, as well received from 2019 and 2020 in the amount of EUR 778 716 for the acquisition of fixed assets - for the expansion of activities.

Deferred income from the LAD financing has recognised as income in the profit loss statement during the useful life of the fixed assets acquired, within 20-50 years respectively. Part of the LAD financing shall be depreciated over 5 years period.

The Group has a contingent liabilities within 5 years from the moment of receiving the funding to comply with the terms of the contract regarding the use of the purchased assets at the place of implementation of the Project and for the intended purposes, not disposing and not transferring the assets for use to third parties, insuring the property and fulfilling other obligations. In case of non-compliance with the specified conditions, the Group shall repay the financing received. According to management's assessment, this possibility is very insignificant.

AS "APF Holdings"
CONSOLIDATED ANNUAL REPORT
for the 12 months period ended 31 December 2021

(28) Accrued liabilities	31.12.2021.	EUR
Accrued unused annual leave expenses	63 119	
Accrued trade payables	96 051	
Other accrued liabilities	3 679	
	<u>162 849</u>	

(29) Average number of employees	2021
Average number of employees during the financial year	<u>43</u>

(30) Remuneration to the management	2021	EUR
Remuneration of a Members of the Management Board	44 492	
	<u>44 492</u>	

Until February 2021, remuneration was calculated for a Member of the Board . From February 2021, remuneration for the work of the Board has been calculated for the Chairman of the Board, but no remuneration has been calculated for the other members of the Board.

(31) Transactions with related parties

As of December 31, 2020, Jurijs Adamovics owned 51% of the capital of the parent company of the Group. In January 2021, SIA J.A.Investment Holdings, which ultimate beneficiary is Jurijs Adamovičs, acquired 49% of the shares of the parent company of the Group from its other shareholders

During the reporting year, Group has also engaged in transactions with its shareholders and related persons. The remuneration to the Members of the Board disclosed in Note 30.

The most significant transactions are:

a) claims and liabilities

	Notes	31.12.2021.	
		Receivables	Payables
		EUR	EUR
Other related parties			
Jurijs Adamovičs	1)	-	883 860
		<u>0</u>	<u>883 860</u>

b) transactions

	Notes	Sales to related parties	Purchases from related parties
		2021	2021
		EUR	EUR
Other related parties			
Interest	1)	-	6 685
Car rental	1)	-	14 400
Loan interest	2)	-	5 215
Waiver of claims	3)	-	1 999 876
		<u>-</u>	<u>2 026 176</u>

Transactions with related parties - continuation

- 1) As indicated in Note 23, in the previous and reporting year, the previous and current shareholders of the Group issued loans to the Group and interest was paid, and the Group rented a car from the member.
- 2) In the reporting year, SIA J.A.Investment Holdings issued a loan to the Group and interest was paid for it.
- 3) In the reporting year, the ultimate beneficiary of the Group has waived its claim rights against the Group's subsidiary SIA "Alūksnes putnu ferma" for all loans granted.

(32) Guaranties issued

As of December 31, 2021, the guarantees issued by the parent company of the Group to the Joint Stock Company "Attīstības finanšu institūcija Altum" were valid, which served as collateral for the loans of the subsidiary of the Group SIA Alūksnes putnu ferma EUR 1.8 million. amount. The loan agreements expire in 2023 and 2025. Guarantees are valid until SIA Alūksnes putnu ferma fulfils its obligations in full.

(33) Financial risk management

Financial risks related to the financial instruments of the Group are mainly the interest rate risk, the liquidity risk and the credit risk. The Management of the Group seeks to minimize potential adverse effects of the financial risks on the Group's financial position. The Group does not use derivative financial instruments to hedge certain risk exposures.

Market risk - Interest rate risks

The Group accepts the interest risk it derives from loans with variable interest rates. Derivatives are not used.

Credit risk

The Group is exposed to credit risk related to the debts of its buyers and principals. The Group shall control its credit risk by constantly assessing the history of repayment of customer debts and determining the credit conditions for each customer separately. In addition, Concern continuously monitors the balances of receivables in order to reduce the possibility of irrecoverable debts arising.

Liquidity risk

The Group controls its liquidity risk by maintaining an appropriate amount of cash and cash equivalents

(34) Subsequent events

In February 2022, a military conflict between Russia and Ukraine began. In this context, many European Union and other countries have imposed sanctions on Russia, the scope of which is constantly changing. The Group considers this situation as a non-correcting event after the reporting date. The Group is carefully following the situation. Since the beginning of the conflict, the Company Alūksnes putnu ferma SIA faced a rapid rise in the price of feed ingredients and changes in their supply chain, in addition to that, some suppliers had reduced trade credit limits. On the other hand, by cooperating with store chains, Alūksnes putnu ferma SIA and other market participants managed to reach an agreement on a faster review of egg prices in accordance with the increase in costs. Due to the uncertain and rapidly changing situation, the Group does not consider it useful to carry out a quantitative assessment of the possible impact of the military conflict on the companies of the Group and its financial indicators.

In October 2021, the Group launched a new subsidiary, SIA APF Energy, which will operate with the development of biomethane and granular mineral fertilizer production projects

Jurijs Adamovičs

Chairmen of the Board
Riga, 10 December 2022

Mihails Keziks

responsible for the preparation the
consolidated annual report

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INDEPENDENT AUDITORS' REPORT

to the Shareholders of APF Holdings AS

Our Qualified Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of APF Holdings AS (the Company) and its subsidiaries ("the Group") set out on pages 6 to 23 of the accompanying consolidated annual report, which comprise:

- the consolidated balance sheet as at 31 December, 2021,
- the consolidated profit and loss statement for the year then ended, and
- 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 a summary of significant accounting policies and other explanatory notes.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report to the comparative data, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Company and its subsidiaries as at 31 December 2021, and of its consolidated financial performance and its consolidated 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 (the Law On the Annual Reports and Consolidated Annual Reports).

Basis for Qualified Opinion

According to the provisions of the Law On the Annual Reports and Consolidated Annual Reports, comparable data for the previous year shall be presented in the components of the financial statements of the Company. In preparing these financial statements, the Company has not disclosed the comparative data for the consolidated balance sheet as at 31 December 2020, the consolidated profit and loss statement, the statement of changes in equity and the statement of cash flow for the year ended 31 December 2020, as well as the comparative information in the Notes to the financial statements.

In accordance with the Law on Audit Services of the Republic of Latvia (the Law on Audit Services) 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 Consolidated Financial Statements* section of our report.

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

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

Reporting on Other Information

The Company management is responsible for the other information. The other information is the Management Report, as set out on pages from 4 to 5 of the accompanying consolidated Annual Report and Information about the Company, as set out on page 3 of the Annual Report.

Our opinion on the consolidated 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* section of our report.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 Group 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

In addition, in accordance with the Law on Audit Services 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.

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 consolidated financial statements are prepared is consistent with the consolidated 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.

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

Management is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with the Law On the Annual Reports and Consolidated Annual Reports 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 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a 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.

Baker Tilly Baltics AS
Licence No. 80

Ēriks Bahirs
Certified Auditor
Certificate No.136
Member of the Board

Rīga, 10 December 2022

This a translation of the Indendent Auditor's Report from Latvian origin.