

AS "APF Holdings"

ANNUAL REPORT

for the 12 months period ended 31 December 2022

AS "APF Holdings"
ANNUAL REPORT
for the 12 months period ended 31 December 2022

CONTENTS

General Information	3
Report of the Management	4
Financial statements	
Income statement	6
Balance sheet	7 - 8
Statement of changes in equity	9
Notes to the financial statements	10 - 22
Independent Auditor's Report	23 - 25

AS "APF Holdings"
ANNUAL REPORT
for the 12 months period ended 31 December 2022

INFORMATION ON THE COMPANY

Name of the company	APF Holdings
Legal status of the company	Joint stock company (AS) up to 22.01.2021 - Limited liability company (SIA)
Number, place and date of registration	Commercial register No 50203047991 Riga, 3 February 2017
Address	Avenue Kārļa Ulmaņa 119, Marupe Municipality, Marupe, LV - 2167 Latvia
Type of operations	Operation of holding companies
Shareholders	1) J.A. Investment Holdings, Reg. No. 40203051355 (80.1%); 2) Adamovičs Jurijs, pers. ID No. 060981-10010 (10.9%); 3) Omni Industries B.V., Reg. No. 24267123, (9.0%).
Members of the Board	From: 03.02.2021: Jurijs Adamovičs - Chairman of the Board Hermanis Dovgijs - Member of the Board Mihails Keziks - Member of the Board Till 03.02.2021: Jurijs 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, 2022 - 31 December, 2022
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. The Company is engaged in management of its subsidiaries and development of investment projects in the fields of poultry, production of biogas and mineral fertilizers.

Performance of the Company during the financial year

The operational activity of the company is developed in multidimensional directions, but they are all united, according to our opinion, by one of the most promising sectors in Latvia - the poultry sector. The main goal of the company is to effectively manage the operational activity of the holding's subsidiary companies, manage and implement strategic development projects, ensuring the implementation of circular economy principles in all companies of the holding group, which affect such areas as rearing of pullets, food (egg) production, development of new egg products, biomass processing. The management of the company is purposefully working to increase the value of made investments.

The year 2022 was significant with the fact that the Company has managed to implement the strategic goal of the project approved in 2018 and started in 2021, namely to ensure the increase of the production capacity of the subsidiary company SIA Alūksnes putnu ferma, with the simultaneous operation of 3 hen houses, which has enabled to ensure smooth and balanced production volumes, and consequently also cash flows.

Undeniably, the war started by Russia in Ukraine in February 2022 has affected not only the daily operational activities of the Company, but also brought challenges in the dynamics of the implementation of the Company's strategic goals, as all the Company's available resources, both financial and human resources were prioritized in the normalization of the resulting external conditions, so that the subsidiaries of the Company would be able to function and carry out their daily operational activities.

At the beginning of the war, we experienced significant market changes, as a result of which the cost of egg production increased rapidly and significantly, but the sale price of eggs increased with a delay of a few months. This circumstance significantly affected the overall results of the year, that is, in the spring of 2022, the APF group worked with significant operational losses and a significant shortage in the working capital. In response to the situation, the Management of APF Group promptly made decisions and took the necessary steps to stabilize the situation - new suppliers of feed ingredients were found, negotiations were held with all Buyers regarding the revision of the price of eggs, negotiations were held with Banks regarding the restructuring of existing credit liabilities.

In order to reduce the burden of the consequences of the war started by Russia in Ukraine, solutions were sought at the governmental level of the Republic of Latvia. In cooperation with non-governmental organizations and the Ministry of Agriculture of the Republic of Latvia, intensive work was carried out on the development and implementation of support programs for mitigating the consequences of the war.

In the summer months of 2022, we observed that the situation in the main markets is improving and stabilizing. The amount of losses incurred by the Company's subsidiaries in the spring months was partially compensated by the received state aid. We are pleased with the fact that despite the above-mentioned challenges experienced, the general price increase, as well as the investments made in previous reporting periods in increasing production capacity, all of the Company's subsidiaries have worked with positive results in the Reporting Year and turnovers have increased comparing with the previous year for several times.

Having reached a stable financial and production level, the Company could continue to focus on the future strategic development plans of the APF Group. In order to implement them, not only the management team was expanded, but also independent consultants were engaged, who will work with strategic development projects in the fields of expansion of the core business, rearing of pullets, production of egg products and waste (biomass) processing, which will enable to implement circular economy principles, using resources as efficiently as possible, as well as increase profit of the Group.

The year 2022 has also marked a new stage of growth in the field of quality requirements. At the end of 2022, the company's subsidiary company SIA Alūksnes putnu ferma was certified and received the prestigious FSSC 22000 certificate, which is an internationally recognized, ISO-based certification program for testing and certifying food safety systems for food manufacturers throughout the food chain. Today's consumers want to know where their food comes from, how it has been prepared and processed, and how its quality is maintained. As a representative of the food industry, we must be able to demonstrate full product traceability and strict adherence to regulations to meet the requirements of our business partners and end consumers.

We are truly pleased that we have been able to prove compliance with global food safety standards, which at the same time demonstrates care and high responsibility for the consumer. This is especially important for companies involved in the food industry that export or want to export their products. This quality certificate attestation is far from static, it provides continuous incentives for improvement in operational activities, constantly developing and improving what is already in place.

Performance of the Company during the financial year - continued

The company expands its activities in the direction of market, positioning, marketing, and advertising, with the aim of promoting the visibility and sale of the group's products in existing and new markets. To ensure the fulfilment of these tasks, the Company participates not only in local, but also in international advertising events, thereby promoting the image of the group in mass media. As a result, the products produced by the group are successfully sold not only to Latvian customers, but also to export customers in Estonia, Finland, Great Britain, France, Belgium, Germany, and other member states of the European Union.

Financial risk management

The policy of financial risk management of the Company is described in the financial report's Notes 26

Subsequent events

During the time period between the last day of the reporting year and the day, when the Board signs the financial statements, there have been no significant or extraordinary circumstances that would significantly affect the annual result and the financial status of the Company.

Future prospects

In the next reporting period, the company plans to implement important strategic development projects that will contribute to the increase of existing production capacity and the acquisition of new directions of activity. Intensive work will be continued on the development of production of egg products, breeding of young birds and biomass processing projects. Work on the implementation of a systemic sustainability strategy has also been started, and the first step in this direction is the fact that the Company's subsidiary company SIA Alūksnes putnu ferma received the ISO50001 certificate in February 2023, which is a confirmation of the implementation of the energy efficiency management system, and the next step is planned the calculation of emissions during the production process (CO2 footprint) and developing solutions to reduce them.

Jurijs Adamovičs
Chairman of the Board

Rīga, this document is signed with a safe electronic signature and contains a time stamp.

INCOME STATEMENT

	Notes	2022	2021
		EUR	EUR
Revenue	(2)	650 160	369 010
Gross profit or losses		650 160	369 010
Distribution expenses	(3)	(34 026)	(14 656)
Administrative expenses	(4)	(595 107)	(386 239)
Other operating income	(5)	704 447	24 496
Other operating expenses	(6)	(6 320)	(245 758)
Interest and similar income incl.	(7)	56 781	33 907
<i>a) from group companies</i>		56 781	33 907
Interest and similar expenses incl.	(8)	(184 007)	(176 192)
<i>a) from group companies</i>		(8 560)	(6 201)
<i>b) for other parties</i>		(175 447)	(169 991)
Profit or losses before corporate income tax		591 928	(395 432)
Corporate income tax for the financial year		(130)	(688)
Profit or losses for the financial year		591 798	(396 120)

Notes on pages 10 to 22 are an integral part of these financial statements.

Jurijs Adamovičs
Chairman of the Board

Mihails Keziks
responsible for preparing the
annual report

Riga, this document is signed with a safe electronic signature and contains a time stamp.

AS "APF Holdings"
ANNUAL REPORT
for the 12 months period ended 31 December 2022

BALANCE SHEET

	Notes	31.12.2022. EUR	31.12.2021. EUR
<u>ASSETS</u>			
Non-current assets			
Intangible assets			
Concessions, patents, licenses, trademarks and similar rights	(9)	598	280
Other intangible assets	(9)	9 479	434
Intangible assets under development	(9)	12 627	1 190
Total intangible assets:		22 704	1 904
Fixed assets:			
Long-term leasehold improvements	(10)	16 092	-
Other fixed assets	(10)	79 394	118 329
Fixed assets under development and construction in progress	(10)	20 802	-
Total fixed assets:		116 288	118 329
Non-current financial investments:			
Investments in group companies	(11)	5 551 200	4 871 200
Receivables from group companies	(12)	2 159 013	1 632 489
Participation in capital of associates	(11)	105	-
Total non-current financial investments:		7 710 318	6 503 689
Total non-current assets:		7 849 310	6 623 922
Current assets			
Inventories:			
Raw materials and consumables		972	1 948
Total inventories:		972	1 948
Account receivable:			
Trade receivables		27	25
Receivables from group companies	(12)	31 177	385 978
Other receivables	(13)	51 609	15 862
Deferred expenses	(14)	34 571	2 108
Accrued income		-	120
Total receivables:		117 384	404 093
Cash and bank:	(15)	3 657	3 137
Total current assets:		122 013	409 178
<u>Total assets</u>		<u>7 971 323</u>	<u>7 033 100</u>

Notes on pages 10 to 22 are an integral part of these financial statements.

AS "APF Holdings"
ANNUAL REPORT
for the 12 months period ended 31 December 2022

BALANCE SHEET

	Notes	31.12.2022. EUR	31.12.2021. EUR
<u>EQUITY, PROVISIONS AND LIABILITIES</u>			
Equity			
Share capital	(16)	4 700 000	1 700 000
Retained earnings or uncovered losses brought forward from previous years		(52 828)	343 292
Current year profit or losses		591 798	(396 120)
Total equity:		5 238 970	1 647 172
Liabilities:			
Non-current liabilities:			
Other borrowings	(17)	1 828 092	5 072 381
Total non-current liabilities:		1 828 092	5 072 381
Current liabilities:			
Other borrowings	(17)	564 215	121 995
Trade payables		62 849	58 932
Payables to group companies	(18)	204 881	392
Taxes and state social insurance payments	(19)	8 256	6 541
Other creditors	(20)	12 088	31 263
Accrued liabilities	(21)	51 972	94 424
Total current liabilities:		904 261	313 547
Total liabilities:		2 732 353	5 385 928
<u>Total equity, provisions and liabilities</u>		<u>7 971 323</u>	<u>7 033 100</u>

Notes on pages 10 to 22 are an integral part of these financial statements.

Juris Adamovičs

Chairman of the Board

Mihails Keziks
responsible for preparing the
annual report

Riga, this document is signed with a safe electronic signature and contains a time stamp.

STATEMENT OF CHANGES IN EQUITY

	Share capital	Other reserves	Profit for the year	Total
	EUR	EUR	EUR	EUR
31.12.2020.	1 000 000	-	343 292	1 343 292
Increase of share capital	700 000	-	-	700 000
Profit for the year	-	-	43 880	43 880
31.12.2021.	1 700 000	-	387 172	2 087 172
Effect of prior year adjustments (see Note 1).	-	-	(440 000)	(440 000)
31.12.2021.	1 700 000	-	(52 828)	1 647 172
Increase of share capital	3 000 000	-	-	3 000 000
Profit for the year	-	-	591 798	591 798
31.12.2022.	4 700 000	-	538 970	5 238 970

Notes on pages 10 to 22 are an integral part of these financial statements.

Juris Adamovičs

Chairman of the Board

Mihails Keziks
responsible for preparing the
annual report

Riga, this document is signed with a safe electronic signature and contains a time stamp.

NOTES TO THE FINANCIAL STATEMENTS

(1) Summary of accounting policies

General principles

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).

According to the last two years, the corporation is classified as a small entity. Financial statements shall show all the information specified in the Law, as well as the additional information necessary for obtaining a true and fair 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.

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, including when 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 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.

Correction of fundamental errors and classification

During the current year, the Company identified a prior year's significant error related to the inappropriate valuation methods used in the impairment testing of investment in the capital of Alūksnes Putnu Fabrika SIA.

In order to improve a true and fair view, the Company has made reclassification of some types of revenue and costs. In these financial statements comparative data for the previous year classified according to the principles of the current year and is comparable. The reclassification has no impact on the financial result.

Reclassified income and expenses	31.12.2021 Corrected	31.12.2021 Before corrections	Amount
	Item name	Item name	EUR
Business valuation	Administrative expenses	Other operating expenses	6 500

AS "APF Holdings"
ANNUAL REPORT
for the 12 months period ended 31 December 2022

Below is the overall effect of reclassifying items and correcting errors.

Income statement	Note	2021	Reclassification	Correction of	2021
		Before adjustments		prior year's error	Adjusted
		EUR	EUR	EUR	EUR
Revenue		369 010			369 010
Distribution expenses	(4)	(14 656)			(14 656)
Administrative expenses	(4)	(379 739)	(6 500)		(386 239)
Other operating income	(5)	224 496		(200 000)	24 496
Other operating expenses	(6)	(12 258)	6 500	(240 000)	(245 758)
Interest and similar income		33 907			33 907
Interest and similar expenses		(176 192)			(176 192)
Effect on profit before corporate income tax		44 568	-	(440 000)	(395 432)
Corporate income tax		(688)			(688)
Effect on net profit		43 880	-	(440 000)	(396 120)
Effect on equity on 31/12/2021					(396 120)

Balance sheet items	Note	Effect as at 31.12.2021			After corrections
		Before corrections	Reclassification	Correction of prior year's error	
		EUR	EUR	EUR	EUR
Non-current financial investments - investments in group companies	(11)	5 311 200		(440 000)	4 871 200
Effect to total assets			-	(440 000)	
Current year profit or losses		43 880		(440 000)	(396 120)
Effect to equity			-	(440 000)	

Except the above mentioned, the accounting policies and valuation methods used by the Company are consistent with those used in the previous reporting year.

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 - under the percentage of completion method;

Income from fines and penalties - at the moment of receiving the payments;

Interest income - on an accrual basis.

Intangible investments and fixed assets

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

Nolietojums tiek aprēķināts pēc lineārās metodes, pielietojot sekojošas vadības noteiktas nemateriālo ieguldījumu un pamatlīdzekļu nolietojuma aprēķināšanas likmes, kas balstītas uz to lietderīgās kalpošanas laika novērtējumu:

	Depreciation per annum
Intangible assets	5-10
Other machinery and equipment, transport vehicles	3-10

The Company capitalizes its fixed assets valued over EUR 100 with useful life exceeding 1 year. Depreciation for improvements and other low costs 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.

Investments in subsidiaries, associates and other entities

Investments in subsidiaries and associates of the group, as well as in the capital of other companies, are accounted for at acquisition value less impairment losses. Subscribed but unpaid shares of a subsidiary shall not be recognised until payment of such shares is made.

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 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.

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.

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 with maturities up to 90 days.

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) Revenue	2022	2021
	EUR	EUR
Revenue from the provision of professional services	650 160	369 010
	<u>650 160</u>	<u>369 010</u>
(3) Distribution expenses	2022	2021
	EUR	EUR
Advertising expenses	8 233	9 330
Membership of associations	6 570	1 238
Other selling costs	19 223	4 088
	<u>34 026</u>	<u>14 656</u>
(4) Administrative expenses	2022	2021
	EUR	EUR
Payroll expenses	170 013	115 203
Cost of professional services	121 547	77 641
Rent expenses	72 590	40 322
Cost of transport	29 954	26 570
State mandatory social insurance contributions	38 789	25 646
Depreciation of fixed assets and intangible assets	15 379	13 025
Office maintenance costs	24 214	11 440
Unused annual leave reserve	-	8 856
Communication services	4 450	3 185
Bank charges	1 149	1 303
Business valuation	6 500	6 500
Other administrative expenses	110 522	56 548
	<u>595 107</u>	<u>386 239</u>

AS "APF Holdings"
ANNUAL REPORT
for the 12 months period ended 31 December 2022

(5) Other operating income		2022	2021	
		EUR	EUR	
Net income from changes in the value of investments in a subsidiary (see Note 11)		680 000	-	
Income from the sublease of premises		21 506	24 496	
Other income		2 941	-	
		<u>704 447</u>	<u>24 496</u>	
(6) Other operating expenses		2022	2021	
		EUR	EUR	
<i>Income from disposal of fixed assets</i>		32 727	-	
<i>Net carrying value of fixed assets at the moment of disposal</i>		<u>(32 876)</u>	-	
Net losses from disposal of fixed assets		(149)	-	
Net loss on impairment of investments in the subsidiary (see Note 11)		-	240 000	
Other costs		<u>6 171</u>	<u>5 758</u>	
		<u>6 320</u>	<u>245 758</u>	
(7) Interest and similar income		2022	2021	
		EUR	EUR	
a) from group companies				
Other interest income		56 781	33 907	
		<u>56 781</u>	<u>33 907</u>	
(8) Interest and similar expenses		2022	2021	
		EUR	EUR	
a) from group companies				
Interest charge		<u>8 560</u>	<u>6 201</u>	
		8 560	6 201	
b) from other parties				
Interest charge		<u>175 447</u>	<u>169 991</u>	
		175 447	169 991	
Total interest and similar expenses		<u>184 007</u>	<u>176 192</u>	
(9) Intangible assets				
	Concessions, patents, licenses, trade marks and similar rights	Other intangible assets	Intangible assets under development	Total
	EUR	EUR	EUR	EUR
Initial value				
31.12.2021.	343	1 922	1 190	3 455
Purchase	430	10 397	11 437	22 264
31.12.2022.	<u>773</u>	<u>12 319</u>	<u>12 627</u>	<u>25 719</u>
Depreciation				
31.12.2021.	(63)	(1 488)	-	(1 551)
Calculated	(112)	(1 352)	-	(1 464)
31.12.2022.	<u>(175)</u>	<u>(2 840)</u>	-	<u>(3 015)</u>
Net carrying amount 31.12.2021.	<u>280</u>	<u>434</u>	<u>1 190</u>	<u>1 904</u>
Net carrying amount 31.12.2022.	<u>598</u>	<u>9 479</u>	<u>12 627</u>	<u>22 704</u>

(10) Fixed assets

	Long-term leasehold improvements	Other fixed assets and inventory	Fixed assets under development and construction in progress	Total
	EUR	EUR	EUR	EUR
Initial value				
31.12.2021.	-	151 765	-	151 765
Purchase	16 092	9 320	20 802	46 214
Disposals	-	(55 909)	-	(55 909)
31.12.2022.	16 092	105 176	20 802	142 070
Depreciation				
31.12.2021.	-	(33 436)	-	(33 436)
Calculated	-	(15 379)	-	(15 379)
Disposals	-	-	-	23 033
31.12.2022.	-	(48 815)	-	(25 782)
Net carrying amount				
31.12.2021.	-	118 329	-	118 329
31.12.2022.	16 092	56 361	20 802	116 288

(11) Participation in the capital

a) movement of participation

	Participation in the capital of group companies EUR	Participation in the capital of associates EUR	Total EUR
Initial value			
31.12.2021.	8 011 200	-	8 011 200
Purchase	-	105	105
31.12.2022.	8 011 200	105	8 011 305
Changes of value of investments			
31.12.2001.	(2 700 000)	-	(2 700 000)
Correction of errors	(440 000)	-	(440 000)
31.12.2021.	(3 140 000)	-	(3 140 000)
Revaluation	680 000	-	680 000
31.12.2022.	(2 460 000)	-	(2 460 000)
Net carrying amount 31.12.2021.	5 311 200	-	5 311 200
Net carrying amount 31.12.2021 after correction of errors	4 871 200	105	4 871 200
Net carrying amount 31.12.2022.	5 551 200	105	5 551 305

Participation in the capital - continuation

b) participation in the equity of subsidiaries

Name	Address	Participating interest		Equity		Profit	
		31.12.2022. %	31.12.2021. %	31.12.2022. EUR	31.12.2021. EUR	2022 EUR	2021 EUR
SIA Alūksnes putnu ferma	"Putni", Ziemeņa municipality, Alūksnes district, LV-4301	100	100	3 062 857	3 014 831	48 026	84 283
SIA APF Trading	Marupes Municipality., Marupe, Avenue Kārļa Ulmaņa 119	100	100	563 788	338 297	225 491	60 992
SIA Oluksne	Marupes Municipality., Marupe, Avenue Kārļa Ulmaņa 120	100	100	89 429	59 943	29 486	26 067
Preiļu putni, SIA	Mārupes Municipality., Mārupe, Maldugunu street 4	100	100	(24 731)	(4 174)	(20 557)	(6 974)
APF Energy, SIA	Mārupes Municipality., Mārupe, Maldugunu street 4	100	100	(5 774)	2 542	(8 316)	(258)

SIA Alūksnes putnu ferma main activity is poultry farming. As of December 31, 2022, the Company owns 8,000 shares of SIA Alūksnes putnu ferma, which constitutes 100% of the subscribed share capital of SIA Alūksnes putnu ferma.

The main activity of SIA APF Trading is the wholesale of milk, milk products and eggs and edible fats and oils. As of December 31, 2022, the Company owns 28 capital shares of SIA APF Trading, which make up 100% of the subscribed and paid-up share capital of SIA APF Trading.

The main activity of SIA Oluksne is poultry farming. As of December 31, 2022, the Company owns 28 capital shares of SIA Oluksne, which make up 100% of the subscribed and paid-up share capital of SIA Oluksne.

The main activity of SIA Preiļu putni is poultry farming. As of December 31, 2022, the Company owns 2800 capital shares of SIA Preiļu putni, which make up 100% of the subscribed and paid-up share capital of SIA Preiļu putni.

The main activity of SIA APF Energy is the production of gas. As of December 31, 2022, the Company owns 2800 capital shares of SIA APF Energy, which make up 100% of the subscribed and paid-up share capital of SIA APF Energy.

a) Impairment testing of investments

Taking into account the negative results of the reporting years of the subsidiary company SIA Alūksnes Putnu Ferma, the Company has carried out an impairment test for investments in the capital of SIA Alūksnes Putnu Ferma.

The recoverable amount of the participation was determined based on the value in use method, discounting the future cash flow of the subsidiary. The future cash flow was discounted with the discount rate calculated for the Company's valuation needs and the Company's Enterprise Value was obtained. Loans and other interest bearing liabilities are subtracted from the Enterprise Value, thus obtaining the Company's Equity Value. According to the calculations, the value of the subsidiary's equity is higher than its carrying amount by 681 thousand EUR, as a result the Company has recognized a reversal of the impairment of investment of 3.14 million EUR, which was created on 31.12.2021. for 680 thousand EUR. (2021: has increased the value of investment by 440 thousand EUR). See also Note 1 for the correction of the year 2021 error.

Participation in the capital - continuation

Significant assumptions in calculating the value of use are: egg prices dynamics, changes in feed prices, EBITDA/turnover ratio and discount rate. Management based its assumptions on historical experience, available industry data and now anticipated market developments. The main assumptions in the impairment calculation are as follows:

	Budgeted 2022	Budgeted 2023	Projected 2024	Projected 2025	Projected 2026-2047
Egg price dynamics	31,2%	5,2%	3,3%	1,3%	2,1%
Changes in feed prices	10,2%	4,4%	3,0%	2,1%	2,1%
EBITDA/Revenue indicator	23,8%	25,3%	24,6%	24,6%	20,0%
Discount rate			13,3%		

Egg and feed prices dynamics

Following the Russian attack on Ukraine, egg prices have increased by about 50% not only in Latvia, but also throughout Europe, which has reduced price pressure on the Latvian market from imported eggs (similarly, feed ingredient prices have increased by 50%). The increase in the prices of feed ingredients has already started at the end of 2021 and increased rapidly in February 2022, but following the long-term egg price coordination procedures with supermarket chains, the increase in the price of eggs has fully occurred only in the second quarter of 2022, as a result of which feed and Differences in egg price measurements occur within calendar years. According to the management of the Company, the level of egg and feed prices reached at the end of 2022 reflects the new reality and may be taken as a basis for forecasting. Prices for eggs and feed for 2023 are estimated on the basis of prices actually in place at the end of 2022. The increase in the price of eggs from 2024 has been assessed in the amount of changes in the average consumer price index.

EBITDA / Revenue ratio

The actual ratio for 2022 is 19%. The ratio depends on the price of the eggs sold and the cost of the eggs, mainly the cost of the feed, as well as the change in the proportion of permanent costs depending on the cyclogram of laying hens. In the following years, the Company is expecting significant improvement, as in 2022 the increase in the price of eggs has occurred with a delay compared to the rapid increase in feed costs, but in the following years the management of the Company expects the stabilization of the prices of eggs and feed ingredients. In the reporting year, the Company will adjust the cyclogram to the optimal level, which will reduce the number of eggs produced in the reporting year and increase the share of fixed costs in the cost of eggs, but in the following years, the average number of eggs produced will reach the maximum production capacity and fluctuate only within a few percent within the calendar years, as well as the cost of eggs will decrease to part of the calculation of fixed costs.

Discount rate

The discount rate reflects the average cost of financing based on actual borrowing costs from banks and the estimated cost of capital of 25,6% per annum.

Below is an analysis of the sensitivity of the Company's Enterprise Value from changes in key assumptions.

Impairment sensitivity analysis

	Factors	31.12.2022 Effect on increase EUR	31.12.2022 Effect on decrease EUR
Dynamics of the amount of eggs produced	changes by 1%	673 700	(673 800)
Changes in the price of eggs	changes by 1%	1 244 000	(1 244 100)
Changes in feed prices	changes by 1%	(565 400)	565 300
Changes in EBITDA/Revenue ratio	changes by 1%	1 685 600	1 648 400
Discount rate	changes by 1%	(943 100)	1 052 500

AS "APF Holdings"
ANNUAL REPORT
for the 12 months period ended 31 December 2022

(12) Receivables from group companies	31.12.2022.	31.12.2021.
	EUR	EUR
Non-current		
SIA Alūksnes putnu ferma - loan and interest	2 136 482	1 632 489
SIA APF Energy - loan and interest	14 676	-
SIA Preiļu putni - loan and interest	7 855	-
	<u>2 136 482</u>	<u>1 632 489</u>
Current		
Debts of subsidiaries for services	31 177	385 978
	<u>31 177</u>	<u>385 978</u>

At the end of 2020, the Company has concluded a Loan Agreement with the group company SIA Alūksnes putnu ferma for granting a loan, but the loan funds were issued already in the reporting year. The loan repayment term is set until 2025.

(13) Other receivables	31.12.2022.	31.12.2021.
	EUR	EUR
Guarantee deposit	21 192	5 689
Corporate income tax overpaid	150	146
Other debtors	28 756	5 268
Supplier overpayments	1 511	4 759
	<u>51 609</u>	<u>15 862</u>

(14) Deferred expenses	31.12.2022.	31.12.2021.
	EUR	EUR
Insurance payments	1 706	1 962
Other expenses	32 865	146
	<u>34 571</u>	<u>2 108</u>

(15) Cash and bank	31.12.2022.	31.12.2021.
	EUR	EUR
Cash at bank on current accounts	3 657	3 137
	<u>3 657</u>	<u>3 137</u>

(16) Share capital

On 31 December 2022, registered and fully paid-up share capital amounts to EUR 4 700 000, consisting of 4 700 ordinary shares with a nominal value of EUR 100 each.

In 2020, the legal form of the Company's has been changed from the limited liability company to the public liability company. Reorganization completed in 2021.

During the reporting year, part of the received loans were capitalized and the Company's share capital was increased by EUR 3,000,000. The share capital increase was registered in the Commercial register in March 2023.

AS "APF Holdings"
ANNUAL REPORT
for the 12 months period ended 31 December 2022

(17) Other borrowings	31.12.2022.	31.12.2021.
	EUR	EUR
Non-current		
Loans from individuals ¹	164 822	843 176
Loans from legal entities ²	1 663 270	4 229 205
	<u>1 828 092</u>	<u>5 072 381</u>
Current		
Loans from legal entities ²	564 215	21 995
Loans from legal entities of the European Union ³	0	100 000
	<u>564 215</u>	<u>121 995</u>

¹ In 2021, the previously received loan from the previous shareholder of the Company, an individual, was capitalized. As of 31.12.2021 an unpaid loan from the beneficial owner of the Company in the amount of 164 822 EUR remained, this loan is not secured, and no interest rate has been applied to it.

² In 2021, the Company received a loan from an non-related legal entity in the amount of EUR 1,251,200 with an interest rate of 5%. In the reporting year, the Company repaid EUR 700,000 of the principal amount of the said debt, but the repayment deadline for the remaining part of the loan was set until December 2023. In addition to that, in the reporting year, all claim rights from a loan received in 2020 from another unrelated legal entity in the amount of EUR 3,000,000 were assigned in favour of the Company's largest shareholder - J.A. Investment Holdings, SIA and the unpaid principal amount of this loan in the amount of EUR 3,000,000 was capitalized in the Company's share capital, increasing it accordingly by EUR 3,000,000.

³ During the reporting year, the Company has fully repaid previously received loans from non-related legal entity registered in the European Union.

(18) Payables to group companies	31.12.2022.	31.12.2021.
	EUR	EUR
Debt for services APF trading, SIA	13 343	-
Debt for services Alūksnes putnu Ferma, SIA	191 538	392
	<u>204 881</u>	<u>392</u>

(19) Taxes and social insurance payments	31.12.2022.	31.12.2021.
	EUR	EUR
State mandatory social insurance contributions	5 569	4 133
Personal income tax	2 554	1 860
Corporate income tax	130	262
Other taxes and fees	3	286
	<u>8 256</u>	<u>6 541</u>

(20) Other creditors	31.12.2022.	31.12.2021.
	EUR	EUR
Salaries	11 854	31 090
Other liabilities	234	173
	<u>12 088</u>	<u>31 263</u>

(21) Accrued liabilities	31.12.2022.	31.12.2021.
	EUR	EUR
Accrued trade payables	29 435	68 947
Accrued unused annual leave expenses	22 537	25 477
	<u>51 972</u>	<u>94 424</u>

AS "APF Holdings"
ANNUAL REPORT
for the 12 months period ended 31 December 2022

(22) Average number of employees	2022	2021
Average number of employees during the financial year	9	8

(23) Remuneration to the management	2022	2021
	EUR	EUR
Board member remuneration	44 553	44 492
	44 553	44 492

Until February 2021, remuneration was calculated for the Board member for his work on the board. From February 2021, remuneration for the work on the board is calculated for the Chairman of the Board, but no remuneration is calculated for Members of the Board.

(24) Transactions with related parties

During the reporting year, the Company had business transactions with subsidiaries - SIA APF Trading, SIA Alūksnes putnu ferma, SIA Oluksne, SIA Preiļu putni and SIA APF Energy. The Company has also engaged in transactions with its shareholders and their related companies.

The remuneration of the Board member for his work in the Company in the reporting year is presented in Note 22.

a) claims and liabilities

	Notes	31.12.2022.		31.12.2021.	
		Receivables EUR	Payables EUR	Receivables EUR	Payables EUR
Group companies					
SIA Alūksnes putnu ferma	1)	2 136 546	191 538	1 925 529	392
SIA APF Trading	2)	-	13 343	76 753	-
SIA Oluksne	3)	30 743	-	16 184	-
Preiļu putni, SIA	4)	8 065	-	90	-
APF Energy, SIA	5)	14 836	-	30	-
		2 190 190	204 881	2 018 586	392
Other related parties					
Shareholders and related companies	6)	-	1 792 303	-	883 860
		-	1 792 303	-	883 860
		2 190 190	1 997 184	2 018 586	884 252

b) transactions

	Notes	Sales to related parties		Purchases from related parties	
		2022 EUR	2021 EUR	2022 EUR	2021 EUR
Group companies					
Consultancy, sub-rental of offices	1)	618 159	354 465	-	-
Interest, other	1)	56 501	33 907	-	1 378
Consultancy, rent	2)	38 699	26 648	8 000	-
Consultancy, sub-rental of offices	3)	14 559	12 272	-	-
Consultancy	4)	120	90	-	-
Interest, other	4)	55	-	-	-
Consultancy	5)	130	30	-	-
Interest, other	5)	226	-	-	-
		728 222	427 412	8 000	1 378
Other related parties					
Interest on loan, other	6)	-	-	8 559	11 900
Car rental	6)	-	-	3 600	14 400
		-	-	12 159	26 300
		728 222	427 412	20 159	27 678

Transactions with related parties - continuation

1) The company has provided consultancy and other services to SIA Alūksnes putnu ferma, as well as issued loans and calculated interest on their use during the reporting year. Until December of the reporting year, the Company has leased office space to the Company.

2) The Company has provided SIA APF Trading with consulting and other services. In the reporting year, the Company has leased a car from APF Trading SIA. Until December of the reporting year, the Company has leased office space.

3) The Company has provided consulting services to its subsidiary SIA Oluksne. Until December of the reporting year the Company has leased office space to the company.

4) The Company has provided consulting services to its subsidiary SIA Preiļu putni, as well as issued loans and calculated interest on their use.

5) The Company has provided consulting services to its subsidiary SIA APF Energy, as well as issued loans and calculated interest on their use.

6) In the reporting year, one of the Company's shareholders has issued a loan to the Company and interest was calculated thereon. Part of the loan of EUR 3,000,000 was capitalised on the share capital of the Company.

During the reporting year, a related company acquired rights of claim against the Company and interest was calculated thereon.

In previous years, the Company's shareholder provided loans to the Company, and the Company also rented a car from the shareholder.

(25) Guaranties issued

As of December 31, 2022, the guarantees issued by the Company to the Joint Stock Company "Attīstības finanšu institūcija Altum", which served as collateral for the loans of the subsidiary SIA Alūksnes putnu ferma, amounted to EUR 1.8 million. The expiration dates of the loan agreements are 2023 and 2025. The guarantees were valid until the full fulfilment of the obligations of SIA Alūksnes putnu ferma.

(26) Financial risk management

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

Credit risk

The company is exposed to credit risk related to the debts of its buyers and principals, the debts of its affiliates, as well as money and cash equivalents. The company controls its credit risk by constantly assessing the history of repayment of customer debts and setting credit conditions for each customer separately. In addition, the corporation continuously monitors the balances of receivables in order to reduce the possibility of irrecoverable debts arising.

The largest concentration of credit risk arises from the debts of related companies. Given the financial situation of these related companies and the Group, the management of the Company assesses the credit risk for transactions with related companies as negligible.

Liquidity risk

The Company manages its liquidity risk, maintaining the appropriate amount of cash and cash equivalents.

(27) Use of going concern assumption

For the year ended 31 December 2022, the Company concluded with a profit, its equity is EUR 5.2 m (65.5% of the total assets). As of the mentioned date, short-term liabilities exceed current assets by EUR 0.78 million, which is mainly consist of the short-term part of other borrowings, for which the final settlement day of the principal amount with "balloon payment" occurs at the end of 2023. The Company is conducting negotiations with the mentioned creditors on the extension of the payment term, and has also received a confirmation from the entity owned by its true beneficiary on providing support in the event of a short-term lack of liquidity.

The continuation of the Company's activities depends on the cash flow in the subsequent periods. The Company's management is confident that the Company will make a profit in the coming years and its cash flow will be sufficient to ensure the Company's operations. Accordingly, the Company's financial statements are prepared in accordance with the principle of a going concern.

(28) Subsequent events

There are no subsequent events since the last date of the financial year until the date of signing of financial statements, which would have a significant effect on the financial position of the Company as at 31 December 2022.

Jurijs Adamovičs

Chairman of the Board

Mihails Keziks
responsible for preparing
the annual report

Riga, this document is signed with a safe electronic signature and contains a time stamp.

INDEPENDENT AUDITORS' REPORT

To the Shareholders of APF Holdings AS

Our opinion on the Financial Statements

We have audited the accompanying financial statements of APF Holdings AS (the Company) set out on pages 6 to 22 of the accompanying annual report, which comprise:

- the balance sheet as at 31 December 2022,
- the profit and loss statement for the year then ended,
- the statement of changes in equity 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 the Company as at 31 December 2022, and of its financial performance 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 Opinion

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 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 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 4 to 5 of the accompanying Annual Report and Information about the Company, as set out on page 3 of the Annual Report.

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* 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

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 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.

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 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 Responsibilities 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.

Baker Tilly Baltics AS
Licence No. 80

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

Riga,

The report is signed with a secure electronic signature and contains a timestamp.

Translated from Latvian origin.