



# **AS "APF HOLDINGS" CONSOLIDATED ANNUAL STATEMENT**

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for the 12 months period  
ended 31 December 2022

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# INFORMATION ON THE COMPANY

Name of the Group's parent company	_____	<b>APF Holdings</b>
Legal status of the Group's parent company	_____	<b>Joint-stock company (AS)</b> until 22.01.2021 - Limited liability company (SIA)
Number, place and date of registration	_____	Commercial register <b>Nr. 50203047991</b> Riga, February 3, 2017
Address	_____	Maldugunu street 4 Marupe Municipality, Marupe, 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	_____	<b>J.A. Investment Holdings</b> , Reg. No. 40203051355 (80.1%); <b>Adamovičs Jurijs</b> , personal identity No. 060981-10010 (10.9%); <b>Omni Industries B.V.</b> , Reg. No. 24267123, (9.0%).
Members of the Board of the Group's parent company	_____	<b>From 03.02.2021:</b> Jurijs Adamovičs - Member Executive Board Hermanis Dovgijs - Chairman of the Board Mihails Keziks - Chairman of the Board
Members of the Council	_____	<b>Until 03.02.2021:</b> Jurijs Adamovičs - Member of the Board  <b>From 29.12.2021.:</b> Aleksandrs Adamovičs - Chairman of the Council Dmitrijs Adamovičs - Deputy Chairman of Council Olga Adamoviča - Council Member  <b>From 03.02.2021. until 29.12.2021.:</b> Aleksandrs Adamovičs - Chairman of the Council Jūlija Adamoviča - Deputy Chairman of Council Olga Adamoviča - Council Member  <b>From 22.01.2021. until 03.02.2021.:</b> Aleksandrs Adamovičs - Chairman of the Council Jūlija Adamoviča - Deputy Chairman of Council Stanislav Savchenko - Council Member
Financial year	_____	1 January, 2022 - 31 December, 2022
Auditor's name and address:	_____	<b>Baker Tilly Baltics AS</b> License No. 80 Kronvalda boulevard 10 Riga, LV-1010 Latvia  Certified auditor in charge Eriks Bahirs Certificate No.136

# REPORT OF THE MANAGEMENT

## Type of operations

The parent company of the Group, public limited company APF Holdings (formerly the limited liability company APF Holdings), is active in the operation of holding companies and in the management of poultry and chicken 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

AS APF Holdings (hereinafter - APF) companies aim to develop sustainable circulation production in the poultry sector by offering premium eggs and other food products for Latvian and European consumers

## The most successful year with strong foundations

The reference year in the APF has been the best in history to reach three times the turnover - from €3.94 million in 2021 to 11.23 million euros last year. For the first time in the company's existence, APF Group companies sold more 100 million eggs and doubled the amount of eggs sold compared to the previous year, at 106 million eggs in 2022, as opposed to 54 million a year in advance. The number of laying hens has risen to an average of 356 thousand in 2022, contrary to 225 thousand years previously. The success is also reflected in the financial results above an adjusted EBITDA (see Annex 36) of 2100 thousand the euro at one of the highest margins in the sector. The Group ended the year with a net profit of 331 thousand euros.

The Board of Governors of the Group shall continuously ensure implementation of strategic development projects, ensuring the principle of the circular economy introduction into all companies in the Group in areas such as the rearing of young birds, the production of food (eggs), the production of new eggs product development, processing of biomass to form a sustainable, full-cycle, vertically integrated Group.

2022 was notable for the Group's success in implementing the project approved in 2018 and launched in 2021 to realise the strategic objective of increasing production capacity while at the same time operating 3 bird houses, which are in order to ensure smooth and balanced production volumes, cash flows have also resulted. More than 60% of the Group eggs produced are produced using a more modern method of keeping hens (“No 2” eggs in the barn).

## Development expectations for future growth

Reaching a stable level of finance and production, Concern continues to focus on the APF Group's strategic development plans. That as well as the management team, the implementation was extended to attract independent consultants who will work with strategic development projects for the expansion of core activities, the rearing of young birds, the production of egg products, and waste (biomass) recycling areas, which will enable the implementation of the circular economy principles through maximum resource efficiency, as well as increasing Group profits.

# REPORT OF THE MANAGEMENT

Reaching a stable level of finance and production, Concern continues to focus on the APF Group's strategic development plans. That as well as the management team, the implementation was extended to attract independent consultants who will work with strategic development projects for the expansion of core activities, the rearing of young birds, the production of egg products, and waste (biomass) recycling areas, which will enable the implementation of the circular economy principles through maximum resource efficiency, as well as increasing Group profits.

Work on the local planning of the investment territory of the biomass processing plant was commenced in the reporting year, work on deeper research into the project. Approved application for the LIAA programme "Investment loan of large and medium-sized enterprises with capital discount" for the organic fertiliser section. Confirmation from the State environmental Service that biomass processing the site is not subject to an environmental impact assessment procedure but should only receive Category B polluting activities a permit that will significantly facilitate the future development of the project. In the field of juvenile breeding, Concerns plans to use long-term leased buildings in Preiļi municipality, as well as building new buildings with the aim of reaching an average of 750 thousand young birds per year. An environmental impact assessment was launched in the reference year procedure for obtaining the necessary authorisations for economic activities in the municipality of Preiļi. In the main business direction – production of chicken eggs – during the reference year Concerns received support from the Rural support Service approval and plans to launch egg production in addition – in houses 4 and 5 (method of production of "barn egg"), as well as invest in additional means of processing eggs and expanding the warehouse.

## A start to exploiting the export potential

In the reporting year, income from sales of goods in European Union countries has increased more than tenfold – from 398 thousands of euros in 2021 up to 4.49 million euros last year. Against a backdrop of steadily growing demand for high quality, sustainably produced eggs and other food products, European national markets provide significant development potential for the future development of the APF.

In order to promote the visibility of the products produced by the Group, realization in existing and new markets of these tasks shall be performed by the Group of companies companies participate not only in local but also in international advertising events, thus promoting the Group's image in the media. As a result, the production of the Group is successfully sold not only to Latvian customers, but also export customers in Estonia, Finland, the United Kingdom, France, Belgium, Germany and other Member States of the European Union. Production sold to retail networks as well as processing companies and customers in the HoReCa segment.

Solutions were sought at the level of the Government of the Republic of Latvia in order to reduce the burden of the consequences of the war launched by Russia in Ukraine. Intensive work was carried out in co-operation with non-governmental organisations and the Ministry of Agriculture of the Republic of Latvia supports the development and implementation of programmes to mitigate the consequences of war. In the summer months of 2022, we observed that the situation in the main outlets is improving and stabilising. Spring months the amount of losses incurred by the subsidiaries of the Group was partially compensated by the State aid received. We are pleased that, despite the challenges mentioned above, the overall price increase, and investments implemented in previous reporting periods to increase production capacity, Group has worked on a consolidated basis with significant positive gross results and their turnover have increased several times compared to the previous year.

## Quality that strengthens consumer confidence in APF products

2022 has also marked a new phase of growth in quality requirements. Subsidiary company of the Group SIA "Aluksnes putnu ferma" certified in 2022 sound and received prestigious FSSC 22000 certificate, internationally recognised, ISO-based certification programme for the inspection and certification of food safety systems for food producers throughout the food chain.

# REPORT OF THE MANAGEMENT

Today's consumers want to know where their food comes from, how it has been cooked and processed, and how they are preserved quality. As a representative of the food industry, we must be able to demonstrate complete product traceability and strict regulation compliance to meet the requirements of their partners and end consumers.

We have a real for, for having been able to demonstrate compliance with global food safety standards that at the same time, care and high responsibility for the consumer are also demonstrated. This is particularly important for food business operators

companies that export or want to export their products. This certificate of quality is far from static, it provides for continuous impetus for the development of operational activities through the further development and improvement of what has already been implemented.

## Research and development

As the Group's production capacity and product range increase, the Group's companies intensively engage in research activities, incl. in collaboration with scientists and laboratories, it performs product analysis, assessing its deeper processing and reuse possibilities, deals with emissions analysis, looking for ways to reduce them, improve animal welfare and reduce the impact on the surrounding environment. In the reporting year, the Group has invested EUR 19,741 in research and development.

## Financial risk management

The policy of financial risk management of the Company is described in the financial report's Notes 36

## Subsequent events

In the time period between the last day of the financial year and the date of signing the financial statements there have been no significant events that would have a significant effect on the financial results of the year or the financial position of the Company.

## Future prospects

In the next reporting period, the Group plans to implement important strategic development projects that will contribute to the increase of existing production capacity and the acquisition of new lines of activity. Intensive work will be continued on the development of egg products production, breeding of young birds and biomass processing projects. Work on the implementation of a systemic sustainability strategy has also been started, as the first step in this direction, the subsidiary company of the concern SIA "Alūksnes putnu ferma" received the ISO500001 certificate in February 2023, which is a confirmation of the implementation of the energy efficiency management system, as the next step is planned emissions from the production process calculation (CO2 footprint) and development of solutions for their reduction.

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**Jurijs Adamovičs**  
Chairman of the Board

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# **FINANCIAL STATEMENT**

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# INCOME STATEMENT

	Notes	2022 (EUR)	2021 (EUR)
Revenue	4.	11 229 814	3 938 528
Costs of goods sold or services provided	5.	(9 128 506)	(4 546 963)
<b>Gross profit or losses</b>		<b>2 101 308</b>	<b>(608 434)</b>
Distribution expenses	6.	(891 693)	(352 062)
Administrative expenses	7.	(888 898)	(648 767)
Other operating income	8.	710 345	2 338 988
Other operating expenses	9.	(78 911)	(50 745)
Interest and similar expenses incl.	10.	(620 813)	(541 873)
a) from Group companies		(8 559)	(5 215)
b) for other parties		(612 254)	(536 658)
<b>Profit or losses before corporate income tax</b>		<b>331 338</b>	<b>137 107</b>
Corporate income tax for the financial year	11.	(291)	(1 836)
<b>Profit or losses for the financial year</b>		<b>331 047</b>	<b>135 271</b>

Notes on pages 12 to 26 are an integral part of these financial statements.

**Jurijs Adamovičs**  
Chairman of the Board

**Mihails Keziks**  
responsible for preparing the  
consolidated annual report

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# BALANCE SHEET

	Notes	31/12/2022/ (EUR)	31/12/2021/ (EUR)
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Intangible assets</b>			
Concessions, patents, licenses, trademarks and similar rights	12.	388	1 136
Other intangible assets	12.	19 915	2 017
Creation of intangible investments	12.	12 627	1 190
Advances for intangible assets	12.	-	4 895
<b>Total intangible assets:</b>		<b>32 930</b>	<b>9 238</b>
<b>Fixed assets, investment properties and biological assets</b>			
Immovable properties			
a) land plots, buildings and engineering structures	13.	4 186 264	4 262 908
Leasehold improvements	13.	16 092	-
Technological equipment and machinery	13.	5 766 802	5 987 432
Other fixed assets	13.	188 628	201 542
Fixed assets under development and construction in progress	13.	160 922	56 781
<b>Total fixed assets:</b>		<b>10 318 708</b>	<b>10 508 663</b>
<b>Non-current financial investments</b>			
Participation in capital of associates	14.	105	-
<b>Total non-current financial investments:</b>		<b>105</b>	<b>-</b>
<b>Total non-current assets:</b>		<b>10 351 743</b>	<b>10 517 901</b>

# BALANCE SHEET

	Notes	31/12/2022/ (EUR)	31/12/2021/ (EUR)
<b>Current assets</b>			
<b>Inventories</b>			
Raw materials and consumables	15.	338 381	177 089
Finished goods and goods for sale	16.	33 802	32 849
Fauna and flora a) animals and annual plantings	17.	1 062 554	1 622 172
Advances for inventories		285 000	-
<b>Total inventories:</b>		<b>1 719 737</b>	<b>1 832 110</b>
<b>Account receivable</b>			
Trade receivables	18.	940 286	374 335
Other receivables	19.	60 094	17 562
Deferred expenses	20.	66 476	15 341
<b>Total receivables:</b>		<b>1 066 856</b>	<b>407 238</b>
<b>Cash and bank</b>	21.	<b>64 397</b>	<b>15 331</b>
<b>Total current assets:</b>		<b>2 850 990</b>	<b>2 254 679</b>
<b>Total assets</b>		<b>13 202 733</b>	<b>12 772 580</b>

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# BALANCE SHEET

	Notes	2022 (EUR)	2021 (EUR)
<b>EQUITY, PROVISIONS AND LIABILITIES</b>			
<b>Equity</b>			
<b>Share capital</b>			
Reserves:	22.	4 700 000	1 700 000
f) other reserves	23.	775	775
Retained earnings or uncovered losses brought forward from previous years	24.	(4 268 653)	(4 403 924)
Current year profit or losses	24.	331 047	135 271
<b>Total equity:</b>		<b>763 169</b>	<b>(2 567 878)</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Loans from banks	25.	3 684 015	5 802 350
Other borrowings	26.	1 879 772	5 072 381
Deferred income	30.	2 500 982	2 593 167
<b>Total non-current liabilities:</b>		<b>8 064 769</b>	<b>13 467 898</b>
<b>Current liabilities</b>			
Loans from banks	25.	1 976 668	28 833
Other borrowings	26.	574 517	121 995
Advances from customers	27.	100 234	100 000
Trade payables		1 172 461	1 115 192
Taxes and state social insurance payments	28.	228 089	192 745
Other creditors	29.	49 928	58 762
Deferred income	30.	92 184	92 184
Accrued liabilities	31.	180 714	162 849

# BALANCE SHEET

	Notes	2022 (EUR)	2021 (EUR)
<b>Total current liabilities:</b>		<b>4 374 795</b>	<b>1 872 560</b>
<b>Total liabilities:</b>		<b>12 439 564</b>	<b>15 340 458</b>
<b>Total equity, provisions and liabilities</b>		<b>13 202 733</b>	<b>12 772 580</b>

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# STATEMENT OF CHANGES IN EQUITY

	Notes	2022 (EUR)	2021 (EUR)
<b>Share capital</b>			
Opening balance		1 700 000	1 000 000
Increase/decrease in share capital		3 000 000	700 000
<b>Closing balance</b>		<b>4 700 000</b>	<b>1 700 000</b>
<b>Reserves</b>			
Opening balance		775	775
<b>Closing balance</b>		<b>775</b>	<b>775</b>
<b>Retained earnings</b>			
Opening balance		(4 268 653)	(4 403 924)
Current year profit or losses		331 047	135 271
<b>Closing balance</b>		<b>(3 937 606)</b>	<b>(4 268 653)</b>
<b>Equity</b>			
Opening balance		(2 567 878)	(3 403 149)
<b>Closing balance</b>		<b>763 169</b>	<b>(2 567 878)</b>

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# CASH FLOW STATEMENT

	Notes	2022 (EUR)	2021 (EUR)
<b>Cash flow from operating activities</b>			
Profit or losses before corporate income tax		331 338	137 107
<b>Adjustments for:</b>			
depreciation and impairment of fixed assets	13.	387 657	313 208
depreciation and impairment of intangible assets	10.	4 113	5 046
interest and similar expenses		620 813	541 873
<b>Profit or loss before adjustments to the effect of changes in current assets and short-term creditor balances</b>		<b>1 343 921</b>	<b>997 234</b>
Increase or decrease of account receivable		(659 618)	(105 056)
Increase or decrease of inventory		112 373	(1 092 831)
Increase or decrease of account payables and other liabilities		(103 010)	(1 925 376)
<b>Gross cash flow generated from operating activities</b>		<b>693 666</b>	<b>(2 126 029)</b>
<b>Net cash flow generated from operating activities</b>		<b>(586 075)</b>	<b>(497 192)</b>
Corporate income tax payments		(1 053)	(4 284)
Interest payments		<b>106 538</b>	<b>(2 627 505)</b>
<b>Cash flow from investing activities</b>			
Acquisition of fixed and intangible assets		(263 279)	(2 857 860)
Proceeds from sale of fixed and intangible assets		32 727	-
Loans issued		(448 100)	(100)
<b>Net cash flow generated from investing activities</b>		<b>(678 652)</b>	<b>(2 857 960)</b>

# CASH FLOW STATEMENT

	Notes	2022 (EUR)	2021 (EUR)
<b>Cash flow from financing activities</b>			
Proceeds from issue of stocks and debentures or investments in share capital		-	9 165
Net borrowings received		1 251 367	5 565 500
Subsidies, grants, gifts or donations received		593 351	225 076
Repayment of loans		(1 210 920)	(362 762)
Finance lease payments		(12 618)	-
<b>Net cash flow generated from financing activities</b>		<b>621 180</b>	<b>5 436 979</b>
		<b>(282 272)</b>	<b>(48 486)</b>
<b>Cash and cash equivalents at the beginning of the financial year</b>	21.	<b>15 331</b>	<b>63 817</b>
<b>Cash and cash equivalents at the end of the financial year</b>	21.	<b>(266 941)</b>	<b>15 331</b>

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# 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 presentation.

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 Group 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 excluded.



# NOTES TO THE FINANCIAL STATEMENTS

## 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; 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:

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

# NOTES TO THE FINANCIAL STATEMENTS

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

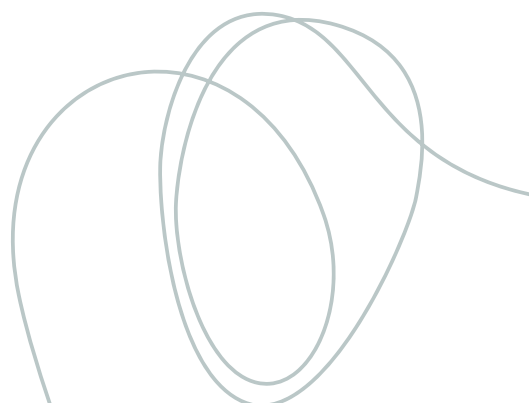
Inventories are recognized at the lower of purchase or production cost and net realizable value. Purchase costs consists of purchase value and overheads, which have been acquired, by delivering inventories at their current position and value.

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.



# NOTES TO THE FINANCIAL STATEMENTS

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## Borrowings

Borrowings are recognized at the proceeds, net of transaction costs incurred. Subsequently, borrowings are stated at amortized costs using the actual interest method. Any difference between the original amount borrowed net of transaction costs and the redemption value is recognized in the income statement gradually during the loan use period or in accordance with accounting policy capitalized at the value of construction in progress.

## 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 includes some transitional provisions: - retained earnings as at 31 December 2018 will not be taxed in addition 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 2022, these consolidated financial statements contain information on the entity and its subsidiaries as a whole (hereinafter - the Group).

# NOTES TO THE FINANCIAL STATEMENTS

## (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 2022, 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 2022, 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 2022, 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 2022, registered and fully paid-up share capital amounts to EUR 2,800.

Name	Address	Type of operations	Participating interest	
			31/12/2022/ %	31/12/2021/ %
SIA Alūksnes Putnu Ferma	"Putni", Ziemera Parish., Aluksnes Municipality., LV-4301	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

# NOTES TO THE FINANCIAL STATEMENTS

## (4) Revenue

	2022 (EUR)	2021 (EUR)
<b>a) By operating activities</b>		
Income from egg sales	11 039 411	3 811 146
Proceeds from the disposal of by-products	124 225	53 616
Income from the sale of live birds	46 297	73 377
Other revenue	19 663	390
Proceeds from the sale of egg products	218	-
	<b>11 229 814</b>	<b>3 938 528</b>
<b>b) By location</b>		
Income from sales of goods/services in Latvia	6 734 877	3 453 478
Income from sales of goods in EU	4 491 169	472 353
Income from sales of goods in other countries	3 768	12 696
	<b>11 229 814</b>	<b>3 938 527</b>

## (5) Costs of goods sold or services provided

	2022 (EUR)	2021 (EUR)
Costs of raw materials and materials	6 247 389	2 617 857
Depreciation of birds	1 445 195	867 190
Salary	383 121	297 368
Depreciation of fixed assets and intangible assets	362 265	289 246
Other production costs	145 063	157 414
Subcontracting, outsourcing and outsourcing services	98 858	66 050
Costs of buying-in of birds	95 260	60 489
Cost of value of materials and goods purchased	94 319	23 150
State mandatory social insurance contributions	89 473	69 878

# NOTES TO THE FINANCIAL STATEMENTS

Utility costs	83 721	66 469
Transport services	59 112	31 849
Cost of purchasing goods sold	22 236	-
Provisions for changes in value of finished products	2 366	-
Rental of storage space	128	-
	<b>9 128 506</b>	<b>4 546 961</b>

## (6) Distribution expenses

	2022 (EUR)	2021 (EUR)
Transport costs	697 294	246 817
Other sales costs	146 966	66 318
Consultancy costs	29 880	23 040
Advertising expenses	10 983	14 649
Participating associations	6 570	1 238
	<b>891 693</b>	<b>352 062</b>

## (7) Administrative expenses

	2022 (EUR)	2021 (EUR)
Salary expenses	282 159	216 133
Other administration costs	147 322	99 275
Professional services costs	133 038	89 485
Rent expenses	72 590	40 322
State mandatory social insurance contribution	64 950	49 455
Transport costs	61 644	52 819
Office maintenance costs	46 748	20 378
Insurance payments	24 476	16 778
Depreciation of fixed assets and intangible assets	22 056	25 374
Costs of research	19 741	2 458

# NOTES TO THE FINANCIAL STATEMENTS

	2022 (EUR)	2021 (EUR)
Business rating	6 500	6 500
Communication services	4 450	3 185
Ancillary cost of cash turnover	1 388	1 507
Security services	1 157	15 262
Cost of missions	607	755
Representation costs	72	225
Unused leave reserve	-	8 856
	<b>888 898</b>	<b>648 767</b>

## (8) Other operating income

	2022 (EUR)	2021 (EUR)
Government grants (including COVID-19 grants)	593 351	225 076
Depreciation of deferred income (see also Note 24)	92 184	92 184
Other income	24 810	21 852
Revenues from the creditor's waiver of claims against the Group (see also Note 31)	-	1 999 876
	<b>710 345</b>	<b>2 338 988</b>

## (9) Other operating expenses

	2022 (EUR)	2021 (EUR)
Samaksātās soda naudas	28 259	17 648
Pārējās izmaksas	40 015	31 647
debitoru parādiem	5 225	-
Neizmantota atvaļinājuma rezerve	2 448	-
Apakšuzņēmēju pakalpojumi, darbi un pakalpojumi	1 489	-
Nekustamā īpašuma nodoklis	1 211	808

# NOTES TO THE FINANCIAL STATEMENTS

	2022 (EUR)	2021 (EUR)
Neto zaudējumi no pamatlīdzekļu atsavināšanas	149	-
Reprezentācijas izmaksas	115	408
Neizmantota atvaļinājuma rezerve	-	234
	<b>78 911</b>	<b>50 745</b>

## (10) Interest and similar expenses

	2022 (EUR)	2021 (EUR)
<b>a) from Group companies</b>	8 559	5 215
Interest charge	<b>8 559</b>	<b>5 215</b>
<b>b) from other parties</b>	612 254	536 658
Interest charge	<b>612 254</b>	<b>536 658</b>
<b>Total interest and similar expenses</b>	<b>620 813</b>	<b>541 873</b>

## (11) Corporate income tax

	2022 (EUR)	2021 (EUR)
Corporate income tax for the current year	291	1 836
	<b>291</b>	<b>1 836</b>

## (12) Intangible assets

	Concessions, patents, licenses, trade marks and similar rights	Other intangible assets	Creation of intangible investments	Advances for intangible assets	Total
Initial cost					EUR
31/12/2021/	8 510	9 845	1 190	4 895	<b>24 440</b>
Purchase	430	20 833	11 437	-	<b>32 700</b>
Disposals	-	-	-	(4 895)	<b>(4 895)</b>
31/12/2022/	8 940	30 678	12 627	-	<b>52 245</b>



# NOTES TO THE FINANCIAL STATEMENTS

	Concessions, patents, licenses, trade marks and similar rights	Other intangible assets	Creation of intangible investments	Advances for intangible assets	Total
<b>Depreciation</b>					
					<b>EUR</b>
31/12/2021/	(7 374)	(7 828)	-	-	<b>(15 202)</b>
Calculated	(1 178)	(2 935)	-	-	<b>(4 113)</b>
31/12/2022/	(8 552)	(10 763)	-	-	<b>(19 315)</b>
<b>Net carrying amount 31.12.2021.</b>	<b>1 136</b>	<b>2 017</b>	<b>1 190</b>	<b>4 895</b>	<b>9 238</b>
<b>Net carrying amount 31.12.2022.</b>	<b>388</b>	<b>19 915</b>	<b>12 627</b>	<b>-</b>	<b>32 930</b>

Information on encumbered intangible investments is given in the 25. un 26. Note.

## (13) Fixed assets

	Land and buildings	Long-term investments in leased fixed assets	Technological equipment and machinery	Other fixed assets	Costs of fixed asset creation and construction work in progress	Total
<b>Cost/revaluation</b>						<b>EUR</b>
31/12/2021/	4 708 599	-	6 600 316	389 843	56 781	<b>11 755 539</b>
Purchase	18 000	16 092	-	64 363	132 124	<b>230 579</b>
Disposals	-	-	-	(55 909)	-	<b>(55 909)</b>
Reclassification between other asset items	19 522	-	-	8 461	(27 983)	<b>-</b>
31/12/2022/	4 746 121	16 092	6 600 316	406 758	160 922	<b>11 930 209</b>

# NOTES TO THE FINANCIAL STATEMENTS

	Land and buildings	Long-term investments in leased fixed assets	Technological equipment and machinery	Other fixed assets	Costs of fixed asset creation and construction work in progress	Total
<b>Depreciation</b>						<b>EUR</b>
31/12/2021/	(445 691)	-	(612 884)	(188 301)	-	<b>(1 246 876)</b>
Calculated	(114 166)	-	(220 630)	(52 861)	-	<b>(387 657)</b>
Disposals	-	-	-	23 033	-	<b>23 033</b>
31/12/2022/	(559 857)	-	(833 514)	(218 130)	-	<b>(1 611 501)</b>
<b>Net carrying amount 31.12.2021.</b>	<b>4 262 908</b>	<b>-</b>	<b>5 987 432</b>	<b>201 542</b>	<b>56 781</b>	<b>10 508 663</b>
<b>Net carrying amount 31.12.2021.</b>	<b>4 186 264</b>	<b>16 092</b>	<b>5 766 802</b>	<b>188 628</b>	<b>160 922</b>	<b>10 318 708</b>

**a) Encumbered fixed assets** Information on encumbered fixed assets is given in the 25. un 26. Note.

## (14) Participation in capital

a) participatory movement	Participation in the capital of associated companies	Total
<b>Cost/revaluation</b>		
31/12/2021	-	0
Purchase	105	105
31/12/2022	105	105
<b>Net carrying amount 31.12.2021.</b>	<b>-</b>	<b>-</b>
<b>Net carrying amount 31.12.2022.</b>	<b>105</b>	<b>105</b>

In the reporting year the Group acquires a 40% stake in the " Chick game company" , registered with USA, for which in turn, it holds 50% of the shares in " THE CHICK GAME STUDIOS LTD" , which is established in Great Britain. Companies will deal with upcoming virtual entertainment projects.

# NOTES TO THE FINANCIAL STATEMENTS

## (15) Raw materials, base materials and consumables

Fodder, fodder components and vitamins	241 805	92 025
Packaging	80 796	57 232
Other	15 780	27 832
	<b>338 381</b>	<b>177 089</b>

## (16) Finished products and goods for sale

Chicken eggs	33 629	32 849
Finished products	143	-
Egg products	2 396	-
(Accruals for damaged and obsolete stock)	(2 366)	-
	<b>33 802</b>	<b>32 849</b>

## (17) Working animals and food producing animals

Laying hens	1 062 554	1 622 172
	<b>1 062 554</b>	<b>1 622 172</b>

The Group accounts for the laying hens at their cost price, which is reduced (depreciated) during the productive time of the laying hens.

## (18) Trade receivables

Book value of trade receivables	945 511	374 335
(Provisions for bad and doubtful debts)	(5 225)	-
	<b>940 286</b>	<b>374 335</b>

Special provisions amounting to 100% of their principal amount have been created for doubtful receivables.

# NOTES TO THE FINANCIAL STATEMENTS

## (19) Other receivables

	31/12/2022/ (EUR)	31/12/2021/ (EUR)
Guarantee instalment	21 892	6 389
Overpayment of other taxes	150	146
Other debtors	36 541	6 268
Supplier overpayments	1 511	4 759
	<b>60 094</b>	<b>17 562</b>

## (20) Deferred expenses

	31/12/2022/ (EUR)	31/12/2021/ (EUR)
Other expenses	64 770	13 379
Insurance payments	1 706	1 962
	<b>66 476</b>	<b>15 341</b>

## (21) Cash and bank

	31/12/2022/ (EUR)	31/12/2021/ (EUR)
Cash at bank on current accounts	63 902	14 043
Cash on hand	495	1 288
	<b>64 397</b>	<b>15 331</b>

Information on encumbered funds is given in 25. Note.

## (22) Share capital

On 31 December 2022, the registered and fully paid-up share capital of the parent company of the Group amounts to EUR 4 700 000, consisting of 4 700 000 ordinary shares with a nominal value of EUR 1 each.

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 3 000 000. The increase in share capital was recorded in the Enterprise Register in March 2023.

# NOTES TO THE FINANCIAL STATEMENTS

## (23) Reserves

According to the Latvian statutory requirements the Company created reserves in the previous periods. This legal requirements are no more effective in the financial year. These reserves are expected to be reclassified to retained earnings.

## (24) Distribution of the Group's profit

At the end of 2022, the retained profits of the parent company of the Group amount to EUR 331 047. The profit distribution of the parent company of the Group was not carried out during the accounting year.

## (25) Loans from banks

	Notes	31/12/2022/ (EUR)	31/12/2021/ (EUR)
<b>Non-current</b>			
AS Altum - loan	a)	1 250 000	1 802 350
AS Baltic International Bank - loan	b)	2 434 015	2 500 000
AS Industra Bank - loan	d)	-	500 000
AS Signet Bank - loan	e)	-	1 000 000
		<b>3 684 015</b>	<b>5 802 350</b>
<b>Current</b>			
AS Altum - loan	a)	552 350	-
AS Baltic International Bank - loan	b)	65 985	-
AS Industra Bank - loan	d)	358 333	-
AS Signet Bank - loan	e)	1 000 000	-
AS Citadele Bank credit line	c)	-	28 833
		<b>1 976 668</b>	<b>28 833</b>

# NOTES TO THE FINANCIAL STATEMENTS

## **a) AS Development Financial institutions Altum - loans**

In 2021, 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 2021, 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 20,000 each. The loan does not have a set repayment period, it can be automatically extended annually at the discretion of the bank.

## **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.

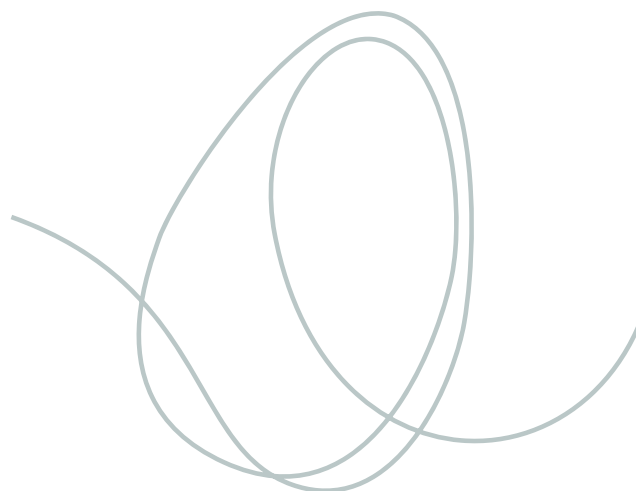
Also, in 2020, Alūksnes putnu ferma, SIA took over the Signet Bank loan in the amount of EUR 500,000, which was issued for the purchase of equipment in the new chicken coop. The loan repayment term has been extended until July 2023 and the fixed interest rate has been applied to it.

## **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 previous 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 previous 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 "Development Finance institution 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".



# NOTES TO THE FINANCIAL STATEMENTS

## (26) Other borrowings

	31/12/2022/ (EUR)	31/12/2021/ (EUR)
<b>Non-current</b>		
Loans from individuals <sup>1</sup>	179 822	843 176
Borrowing from legal entities <sup>2</sup>	1 663 270	4 229 205
Obligations under the financial lease agreement SIA Citadele lizings	36 680	-
	<b>1 879 772</b>	<b>5 072 381</b>
<b>Current</b>		
Borrowing from legal entities <sup>2</sup>	564 215	21 995
Borrowings from legal entities of the European Union <sup>3</sup>	-	100 000
Obligations under the financial lease agreement SIA Citadele lizings	10 302	-
	<b>574 517</b>	<b>121 995</b>

<sup>1</sup> In 2021, a loan previously received from an individual, previous shareholder of the parent company of the Group was capitalised. A loan from the beneficial owner of the parent company of the Group of EUR 164 822 remained outstanding on 31.12.2022. This loan is not secured, nor is it subject to an interest rate. In the accounting year, a new loan of EUR 15 000 was received from the beneficial owner of the parent company of the Group.

<sup>2</sup> In 2021, the parent company of the Group has received a loan from an unrelated legal entity of EUR 1 251 200 at an interest rate of 5%. During the accounting year, the parent company of the Group repaid EUR 700 000 of the principal amount of that debt, while the remaining part of the loan was matured until December 2023. In addition, during the reporting year, all claims of EUR 3 000 000 from a loan received in 2020 from another unrelated legal entity were assigned to the largest shareholder of the parent company of the Group - J.A. Investment Holdings, SIA and the outstanding principal amount of EUR 3 000 000 of that loan was capitalised in the share capital of the parent company of the Group, increased by EUR 3 000 000 (see also Note 21).

<sup>3</sup> During the reporting year, the parent company of the Group has fully repaid previously received loans from an unrelated legal entity established in the European Union.

# NOTES TO THE FINANCIAL STATEMENTS

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).

In 2022, the subsidiary of the Group APF Trading, SIA has acquired a fixed asset in a financial lease, interest is payable at the rate of 2.99% plus the 3-month Euribor rate, due date until 30 April 2027.

## (27) Advances from customers

	31/12/2022/ (EUR)	31/12/2021/ (EUR)
Advances received on goods and services	100 234	100 000
	<b>100 234</b>	<b>100 000</b>

## (28) Taxes and social insurance payments

	31/12/2022/ (EUR)	31/12/2021/ (EUR)
State mandatory social insurance contributions	29 415	43 382
Personal income tax	14 716	23 016
Value added tax	178 716	120 543
Natural resources tax	2 792	1 875
Business risk state duty	130	262
Other taxes	2 320	3 667
	<b>228 089</b>	<b>192 745</b>

## (29) Other creditors

	31/12/2022/ (EUR)	31/12/2021/ (EUR)
Salaries	49 603	58 551
Other creditors	325	211
	<b>49 928</b>	<b>58 762</b>



# NOTES TO THE FINANCIAL STATEMENTS

## (30) Deferred income

	31/12/2022/ (EUR)	31/12/2021/ (EUR)
<b>Non-current</b>		
EU co-financing for the acquisition of assets - non-current portion	2 500 982	2 593 167
	<b>2 500 982</b>	<b>2 593 167</b>
EU co-financing for the acquisition of assets - current portion	92 184	92 184
	<b>92 184</b>	<b>92 184</b>

in the Deferred income item has recognized the financing received from Lauku Atbalsta Dienests (LAD) or Rural Support Agency 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 is liability 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 could be obliged to repay the received financing. According to management's assessment, this possibility is very insignificant.

## (31) Accrued liabilities

	31/12/2022/ (EUR)	31/12/2021/ (EUR)
Accrued unused annual leave expenses	59 488	63 119
Accrued trade payables	110 223	96 051
Other accrued liabilities	11 003	3 679
	<b>180 714</b>	<b>162 849</b>

## (32) Average number of employees

	2022	2021
Average number of employees during the financial year	<b>48</b>	<b>43</b>

# NOTES TO THE FINANCIAL STATEMENTS

## (33) Remuneration to the management

	2022	2021
Remuneration of a Members of the Management Board	44 553	44 492
	<b>44 553</b>	<b>44 492</b>

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.

## (34) Transactions with related parties

As of December 31, 2022, Jurijs Adamovics owned 10.9% of the capital of the parent company of the Group, while J.A.Investment Holdings SIA, whose ultimate beneficial owner is Jurijs Adamovics, owned 80.1% of the shares of the parent company of the Group.

During the reporting year, Group has also engaged in transactions with its members/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

	31/12/2022/		31/12/2021/	
	Receivables	Payables	Receivables	Payables
Shareholders of the Group and entities under their control	-	1 792 303	-	883 860
	-	<b>1 792 303</b>	-	<b>883 860</b>

### b) transactions

	Sales to related parties		Purchases from related parties	
	2022	2021	2022	2021
Shareholders of the Group and entities under their control				
Car rental	-	-	3 600	14 400
Loan interest	-	-	8 559	11 900
Waiver of claims	-	-	-	1 999 876
	-	-	<b>12 159</b>	<b>2 026 176</b>

# NOTES TO THE FINANCIAL STATEMENTS

In the previous and reporting years, the previous and existing shareholder of the Group provided loans to the Group and interest was paid thereon, as well as Group rented a car from the participant.

In the reporting year, a related legal entity has granted a loan to the Group and interest was paid on it.

in 2021, the ultimate beneficiary of the Group has waived its claim rights against the Group's subsidiary SIA "Alūksnes putnu ferma" for all loans granted.

## (35) Guaranties issued

As of 31 December 2022, guarantees issued by the subsidiary of the Group to the AS "Development Finance institution Altum" were in force, which served as collateral for Altum loans of EUR 1.8 million to the subsidiary SIA Aluksnes putnu ferma. Loan agreements expire in 2023 for May and 2025 for the end. The guarantees shall be valid until full fulfilment of the liabilities of the Aluksnes putnu ferma SIA

As of 31 December 2022, three guarantees issued by the Group's subsidiary APF Trading, SIA to the AS Development Financial institution Altum and the AS Baltic International Bank were in effect, which serve as collateral for the bank credit line to the Group's subsidiary Aluksnes putnu ferma SIA and loan agreements with a total amount of EUR 4 302 350. The credit line expires by May 2023 and the loan agreements expire by 2025. The guarantees shall be valid until the full fulfilment of the liabilities of the SIA "Aluksnes putnu ferma". Taking into account the development plans of SIA "Alūksnes putnu ferma", the composition and value of collateral, as well as its positive and long-term relations with credit institutions, the Group believes that there is no reason to create provisions for guarantees issued.

## (36) 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

# NOTES TO THE FINANCIAL STATEMENTS

## **Capital management**

In order to ensure the Group's sustainable development and capital adequacy, the Group's management regularly monitors the compliance of the Group's financial indicators with market criteria, including regular monitoring of Liquidity indicators (short-term liabilities in relation to current assets), Equity adequacy (equity in relation to total assets) and adjusted EBITDA (profit before interest payments, taxes, depreciation and amortization, as well as before other irregular income and costs, changes in the accounting value of laying hens, received aids, etc.).

## **(37) Use of going concern assumption**

The Group ended the year ended December 31, 2022 with a profit, and its equity is 363 thousand EUR (6% of total assets). As at 31 December 2022, short-term liabilities exceed current assets by EURm 1.55, which is almost equal to the outstanding loans from Signet Bank and ALTUM, for which the final settlement date of the principal with “balloon payment” dates back to 2023. The Group is negotiating with those banks an extension of the payment period. The parent company of the Group has received an acknowledgment from the entity controlled by the beneficial owner to provide support in the event of short-term liquidity shortages.

The ability of the going concern of the Group depends on the cash flow of subsequent periods. The management of the Group is confident that in the coming years Group will make a profit and its cash flow will be sufficient to ensure the operation of the companies of the Group. Accordingly, the financial statements of the Group are prepared in accordance with the principle of a going concern.

## **(38) 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.

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**Jurijs Adamovičs**  
Chairman of the Board

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**Mihails Keziks**  
responsible for preparing the  
consolidated annual report

These financial statements signed by secure electronic signatures.

**INDEPENDENT AUDITORS' REPORT****To the Shareholders of APF Holdings AS****Our 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 5 to 23 of the accompanying consolidated annual report, which comprise:

- the consolidated balance sheet as at 31 December, 2022,
- 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, 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 2022, 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 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 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 opinion.

**Other matters**

The Company has not published the consolidated annual report for the year ended 31 December 2021 as the Company's financial indicators did not reach the minimum criteria specified in the Law on the Annual Financial Statements and Consolidated Financial Statements for the preparation of the consolidated financial statement.

### ***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 6 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

Riga,

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

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