

“AZVIRT” LIMITED LIABILITY COMPANY

**The International Financial Reporting Standards
Consolidated Financial Statements and
Independent Auditors' Report**
For the Year Ended December 31, 2022

**STATEMENT OF MANAGEMENT’S RESPONSIBILITIES FOR THE PREPARATION
AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

The following statement is made with a view to distinguishing the respective responsibilities of the management and those of the independent auditors in relation to the consolidated financial statements of “AzVirt” Limited Liability Company (the “Company”) and its subsidiaries (collectively referred to as the “Group”).

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of the Group as at December 31, 2022, the results of its operations, cash flows and changes in equity for the year then ended, in accordance with International Financial Reporting Standards (“IFRS”).

In preparing the consolidated financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group’s consolidated financial position and financial performance; and
- Making an assessment of the Group’s ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining proper accounting records that disclose, with reasonable accuracy at any time, the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- Maintaining statutory accounting records in compliance with legislation and accounting standards of the countries where the Group operates;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Detecting and preventing fraud, errors and other irregularities.

The consolidated financial statements of the Group for the year ended December 31, 2022 were authorized for issue on July 31, 2023 by the Management of the Group.

On behalf of the Management:


Kamil Aliyev
Member of the Management Board

July 31, 2023
Baku, the Republic of Azerbaijan




Allahveran Huseynov
Head of Financial Analysis Department

July 31, 2023
Baku, the Republic of Azerbaijan

INDEPENDENT AUDITORS' REPORT

To the Shareholders and the Management of "AzVirt" Limited Liability Company:

Opinion

We have audited the consolidated financial statements of "AzVirt" Limited Liability Company (the "Company") and its subsidiaries (together referred to as the "Group"), which comprise the consolidated statement of financial position as at December 31, 2022, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). 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 Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

Operations in Ukraine

We draw attention to Note 2 to the consolidated financial statements, which indicates that the representative office located in the Republic of Ukraine "Azvirt Ukraine" faces material difficulties due to ongoing military conflict between the Russian Federation and the Republic of Ukraine. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the ability of "Azvirt Ukraine" to continue as a going concern. Our opinion is not modified in respect of this matter.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of the 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 have no realistic alternative but to do so.

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

Auditors' 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 auditors' 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 ISA 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 ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Baker Tilly Azerbaijan

July 31, 2023

Baku, the Republic of Azerbaijan

“AZVIRT” LIMITED LIABILITY COMPANY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2022

(In thousands of Azerbaijani Manats)

	Notes	December 31, 2022	December 31, 2021
ASSETS			
Non-current assets:			
Property, plant and equipment	7	72,692	75,621
Prepayments for property, plant and equipment		282	165
Intangible assets	8	34	40
Right-of-use assets	9	21,716	15,554
Refundable deposits with the customers	10, 36	30,441	26,203
Restricted deposits	11	15,623	58,545
Other assets	19, 34, 36	-	529
Total non-current assets		140,788	176,657
Current assets:			
Inventories	12	24,808	27,281
Prepayments for inventories and other expenses	13	16,068	16,765
Loans issued	14, 34, 36	2,975	3,058
Advance paid to subcontractors	15, 34	28,014	41,504
Restricted deposits	11	13,403	-
Input VAT		8,154	6,155
Contract assets	16, 36	65,081	17,398
Trade and other receivables	17, 34, 36	68,020	68,638
Cash and cash equivalents	18, 36	16,105	27,270
Other assets	19, 34, 36	1,948	2,465
Total current assets		244,576	210,534
TOTAL ASSETS		385,364	387,191
LIABILITIES AND EQUITY			
LIABILITIES:			
Non-current liabilities:			
Lease liability	21, 36	6,888	13,796
Borrowings	23, 36	11,410	20,401
Trade and other payables	24, 34, 36	6,726	8,414
Advances from customers	22, 34	41,881	81,220
Payable to shareholder		12,000	-
Deferred income tax liabilities	32	3,209	646
Total non-current liabilities		82,114	124,477
Current liabilities:			
Borrowings	23, 36	39,037	28,095
Lease liability	21, 36	8,010	596
Advances from customers	22, 34	59,886	58,164
Deposits from subcontractors	20	10,866	6,513
Trade and other payables	24, 34, 36	111,617	87,495
Taxes payable		6,314	2,522
Payable to shareholder		-	12,000
Payable to employees	34, 36	6,881	5,240
Other liabilities	25, 36	1,539	3,052
Total current liabilities		244,150	203,677
Total liabilities		326,264	328,154

“AZVIRT” LIMITED LIABILITY COMPANY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2022 (Continued) (In thousands of Azerbaijani Manats)

	Notes	December 31, 2022	December 31, 2021
EQUITY:			
Share capital	26	129	129
Retained earnings		62,449	53,511
Other reserves		4,959	5,128
Cumulative translation reserve		(8,437)	269
Total equity		59,100	59,037
TOTAL LIABILITIES AND EQUITY		385,364	387,191

On behalf of the Management:


Kamil Aliyev
Member of the Management Board

July 31, 2023
Baku, the Republic of Azerbaijan




Allahveran Huseynov
Head of Financial Analysis Department

July 31, 2023
Baku, the Republic of Azerbaijan

The notes on pages 12-78 form an integral part of these consolidated financial statements.

“AZVIRT” LIMITED LIABILITY COMPANY

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED DECEMBER 31, 2022**
(In thousands of Azerbaijani Manats)

	Notes	Year ended December 31, 2022	Year ended December 31, 2021 (reclassified)
Construction revenue	27, 34	573,090	563,201
Costs of construction	28, 34	(514,672)	(516,110)
Gross profit		58,418	47,091
General and administrative expenses	29, 34	(30,991)	(21,704)
Expected credit loss charge for financial assets	34	(1,291)	(7,609)
Impairment charge for non-financial assets	34	(1,527)	(1,674)
Rental income		88	157
Other income	31, 34	1,387	2,173
Other expenses	30	(563)	(1,024)
Operating profit		25,521	17,410
Finance income		238	187
Finance costs	21, 23	(7,576)	(8,251)
Foreign exchange (loss)/gain, net		(1,767)	1,917
Gain/(loss) on disposal of property, plant and equipment		209	(435)
Profit before income tax		16,625	10,828
Income tax expense	32	(7,687)	(4,301)
NET PROFIT FOR THE YEAR		8,938	6,527

On behalf of the Management:


Kamil Aliyev
Member of the Management Board

July 31, 2023
Baku, the Republic of Azerbaijan




Allahveran Huseynov
Head of Financial Analysis Department

July 31, 2023
Baku, the Republic of Azerbaijan

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“AZVIRT” LIMITED LIABILITY COMPANY

**CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2022**
(In thousands of Azerbaijani Manats)

	Year ended December 31, 2022	Year ended December 31, 2021
NET PROFIT FOR THE YEAR	<u>8,938</u>	<u>6,527</u>
OTHER COMPREHENSIVE INCOME		
Items that will be reclassified subsequently to profit and loss:		
Exchange differences on translation of foreign operations	<u>(8,706)</u>	<u>(1,691)</u>
Other comprehensive loss for the year	<u>(8,706)</u>	<u>(1,691)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>232</u>	<u>4,836</u>

On behalf of the Management:


Kamil Aliyev
Member of the Management Board

July 31, 2023
Baku, the Republic of Azerbaijan




Allahveran Huseynov
Head of Financial Analysis Department

July 31, 2023
Baku, the Republic of Azerbaijan

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“AZVIRT” LIMITED LIABILITY COMPANY

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2022**
(In thousands of Azerbaijani manats)

	Notes	Share capital	Retained earnings	Other reserves	Cumulative translation reserve	Total
January 1, 2021		<u>129</u>	<u>58,984</u>	<u>7,384</u>	<u>1,960</u>	<u>68,457</u>
Net profit for the year		-	6,527	-	-	6,527
Other comprehensive loss for the year		-	-	-	(1,691)	(1,691)
Dividends declared	26	-	-	-	-	-
Withdrawal of funds by the shareholders		-	-	(2,256)	-	(2,256)
December 31, 2021		<u>129</u>	<u>53,511</u>	<u>5,128</u>	<u>269</u>	<u>59,037</u>
Net profit for the year		-	8,938	-	-	8,938
Other comprehensive loss for the year		-	-	-	(8,706)	(8,706)
Withdrawal of funds by the shareholders		-	-	(169)	-	(169)
December 31, 2022		<u>129</u>	<u>62,449</u>	<u>4,959</u>	<u>(8,437)</u>	<u>59,100</u>

On behalf of the Management:


Kamil Afiyev
Member of the Management Board




Allahveran Huseynov
Head of Financial Analysis Department

July 31, 2023
Baku, the Republic of Azerbaijan

July 31, 2023
Baku, the Republic of Azerbaijan

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“AZVIRT” LIMITED LIABILITY COMPANY

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022**

(In thousands of Azerbaijani manats)

	Notes	Year ended December 31, 2022	Year ended December 31, 2021
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		16,625	10,828
Adjustments for non-cash items:			
Depreciation of property, plant and equipment	7	12,540	10,821
Amortization of intangible assets	8	16	16
Amortization of right-of-use assets	9	1,759	1,669
Finance costs	21, 23	7,576	8,251
Finance income		(238)	(187)
Foreign exchange translation loss/(gain), net		1,767	(1,917)
Expected credit loss charge for financial assets		1,291	7,609
Impairment charge for non-financial assets		1,527	1,674
Loss on inventory write down	30	165	578
Loss on disposal of property, plant and equipment		(209)	435
		42,819	39,777
Cash flows from operating activities before changes in operating assets and liabilities			
Changes in operating assets and liabilities			
(Increase)/decrease in operating assets:			
Input VAT		(2,619)	3,884
Prepayment for inventories and other expenses		(2,968)	(798)
Refundable deposits with the customers		(6,611)	(11,690)
Inventories		(856)	(19,302)
Advance paid to subcontractors		10,568	(12,574)
Trade and other receivables		(8,259)	12,475
Contract assets		(48,947)	(1,237)
Restricted deposits		25,814	(61,088)
Other assets		912	(1,402)
Increase/(decrease) in operating liabilities:			
Deposits from subcontractors		4,585	3,074
Advances from customers		(31,088)	27,154
Trade and other payables		33,863	27,105
Taxes payable		1,625	(251)
Payable to employees		1,846	2,298
Other liabilities		(1,124)	2,086
		19,560	9,511
Cash inflow from operating activities before income tax paid			
Income tax paid		(2,930)	(3,862)
		16,630	5,649
Net cash inflow from operating activities			
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for property, plant and equipment		(12,297)	(12,386)
Proceeds from disposal of property and equipment		497	4,729
Proceeds from collection of loans issued		614	325
Loans disbursed to legal entities		(715)	(1,820)
Interest received on loans issued		238	187
Payments for intangible assets		(5)	(1)
		(11,668)	(8,966)
Net cash outflow from investing activities			

“AZVIRT” LIMITED LIABILITY COMPANY

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022 (Continued)**
(In thousands of Azerbaijani manats)

	Notes	Year ended December 31, 2022	Year ended December 31, 2021
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from borrowings	23	180,481	110,796
Repayment of principal on borrowings	23	(175,360)	(81,283)
Repayment of lease liability	21	(9,730)	(10,747)
Finance cost paid on borrowings	23	(6,946)	(7,490)
Withdrawal of funds by the shareholders		(169)	(2,167)
		<u>(11,724)</u>	<u>9,109</u>
Net cash (outflow)/inflow from financing activities			
Effect of exchange rate changes on the balance of cash held in foreign currencies		(4,403)	(1,018)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(11,165)	4,774
CASH AND CASH EQUIVALENTS, <i>at the beginning of year</i>	18	<u>27,270</u>	<u>22,496</u>
CASH AND CASH EQUIVALENTS, <i>at the end of year</i>	18	<u><u>16,105</u></u>	<u><u>27,270</u></u>

Investing transactions that did not require the use of cash and cash equivalents during the year ended December 31, 2022 amounted to AZN 878 thousand and were excluded from the consolidated statement of cash flows (December 31, 2021: AZN 1,477 thousand).

On behalf of the Management:


Kamil Aliyev
Member of the Management Board

July 31, 2023
Baku, the Republic of Azerbaijan




Allahveran Huseynov
Head of Financial Analysis Department

July 31, 2023
Baku, the Republic of Azerbaijan

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