

“Caspian International Investment Company” CJSC

**International Financial Reporting Standards
Consolidated Financial Statements and
Independent Auditor’s Report**

31 December 2016



Independent Auditor's Report

To the Owners and Management of "Caspian International Investment Company" CJSC (the Group):

Report on the audit of the consolidated financial statements

Our qualified opinion

In our opinion, except for the effects of the matter described in the Basis for qualified opinion section of our report, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Caspian International Investment Company CJSC (the "Company") and its subsidiaries (together - the "Group") as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2016;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for qualified opinion

As at 31 December 2016, the Group's investment in NAA Agrotara is stated at AZN 2,792,881. The Group's accounting policy is to measure this investment at fair value through profit or loss in accordance with International Accounting Standards (IAS) 39, Financial Instruments: Recognition and Measurement. As at 31 December 2016, the Group did not measure the investment in NAA Agrotara at its fair value but stated it at its carrying amount as at 31 December 2012, which constitutes a departure from International Financial Reporting Standards.

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

Independence

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

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.



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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

PricewaterhouseCoopers Audit Azerbaijan LLC
Baku, Republic of Azerbaijan
3 April, 2017

Caspian International Investment Company CJSC
Consolidated Statement of Financial Position

<i>In Azerbaijani Manats</i>	Note	31 December 2016	31 December 2015
ASSETS			
Non-current assets			
Property, plant and equipment	8	1,652,218	1,071,419
Intangible assets		182,478	161,041
Investments in associates	9	1,648,939	-
Investment property	10	5,261,900	5,261,900
Financial assets designated at fair value through profit or loss	15	2,792,881	2,792,881
Deferred tax asset	22	774,211	774,211
Total non-current assets		12,312,627	10,061,452
Current assets			
Cash and cash equivalents	13	15,579,847	8,580,833
Term deposits with banks	14	9,384,710	20,874,471
Other current assets	11	638,935	271,383
Total current assets		25,603,492	29,726,687
TOTAL ASSETS		37,916,119	39,788,139
EQUITY AND LIABILITIES			
Share capital	16	31,001,200	31,001,200
Retained earnings		4,051,776	5,936,000
Equity attributable to the Parent's owners		35,052,976	36,937,200
Non-controlling interest	24	1,974,826	371,194
TOTAL EQUITY		37,027,802	37,308,394
Current liabilities			
Current income tax payable		-	1,692,260
Other current liabilities	12	786,432	685,600
Total current liabilities		786,432	2,377,860
Non-current liabilities			
Deferred tax liability	22	101,885	101,885
Total non-current liabilities		101,885	101,885
TOTAL LIABILITIES		888,317	2,479,745
TOTAL LIABILITIES AND EQUITY		37,916,119	39,788,139

Approved for issue and signed on behalf of the Management on 3 April 2017.

Mr. Elvin Ashurov
General Manager



Mr. Hasan Hasanov
Finance Manager

The accompanying notes on pages 5 to 29 are an integral part of these financial statements.

Caspian International Investment Company CJSC
Consolidated Statement of Profit or Loss and Other Comprehensive Income

<i>In Azerbaijani Manats</i>	Note	2016	2015
Revenue	18	834,359	959,961
Cost of sales	19	(688,681)	(724,978)
Gross profit		145,678	234,983
Administrative and other operating expenses	21	(1,085,066)	(1,128,432)
Operating loss		(939,388)	(893,449)
Finance income	17	493,782	1,315,664
Share of results of associates		70,303	-
Other income		45,240	14,146
Net gain/(loss) from fair value adjustment on investment		-	(3,155,100)
Disposal of investment in subsidiary		-	(1,774)
Net foreign exchange gain/(loss)		3,024,636	9,557,814
Profit before income tax		2,694,573	6,837,301
Income tax (expense)/credit	22	(656,385)	(1,296,803)
PROFIT FOR THE YEAR		2,038,188	5,540,498
Other comprehensive income		-	-
Total comprehensive income for the year		2,038,188	5,540,498
Total comprehensive income/(loss) attributable to:			
Owners of the parent		2,047,776	5,551,116
Non-controlling interest	24	(9,588)	(10,618)

Caspian International Investment Company CJSC
Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Group				
	Share capital	Retained earnings	Total	Non-controlling interest	Total Equity
<i>In Azerbaijani Manats</i>					
At 1 January 2015	31,001,200	384,884	31,386,084	381,812	31,767,896
Profit/(Loss) for the year	-	5,551,116	5,551,116	(10,618)	5,540,498
Total comprehensive income for the year	-	5,551,116	5,551,116	(10,618)	5,540,498
Balance at 31 December 2015	31,001,200	5,936,000	36,937,200	371,194	37,308,394
Profit/(Loss) for the year	-	2,047,776	2,047,776	(9,588)	2,038,188
Total comprehensive income for the year	-	2,047,776	2,047,776	(9,588)	2,038,188
Shares issued	-	-	-	1,613,220	1,613,220
Dividends declared	-	(3,932,000)	(3,932,000)	-	(3,932,000)
Balance at 31 December 2016	31,001,200	4,051,776	35,052,976	1,974,826	37,027,802

Caspian International Investment Company CJSC
Consolidated Statement of Cash Flows

<i>In Azerbaijani Manats</i>	Note	2016	2015
Cash flow from operating activities			
Profit before income tax		2,694,573	6,837,301
Adjustments for:			
Net foreign exchange loss/(gain)		(3,024,636)	(9,557,814)
Depreciation and amortisation	20	166,553	138,182
Net gain from fair value adjustment on investment properties		-	3,155,100
Finance income	17	(493,782)	(1,315,664)
Loss on disposal of property, plant and equipment		-	10,630
Disposal of investment in subsidiary		-	1,774
Share of results of associates	9	(70,303)	-
Operating cash flows before working capital changes		(727,595)	(730,491)
Decrease/(Increase) in other current assets	11	(399,286)	42,445
(Decrease)/Increase in other current liabilities	12	53,681	326,915
Changes in working capital		(345,605)	369,361
Income tax paid		(2,276,343)	(205,046)
Net cash used in operating activities		(3,349,543)	(566,176)
Cash flows from investing activities			
Purchase of property and equipment	8	(743,981)	(77,044)
Acquisition of intangible assets		(24,810)	-
Acquisition of associates		(1,578,636)	-
Investments in term deposits		(9,967,930)	(19,666,071)
Redeemed deposits	14	23,138,738	24,889,224
Interest received		493,783	1,350,751
Net cash generated from investing activities		11,317,164	6,496,860
Proceeds from issuance of ordinary shares		1,613,220	-
Dividends paid to the Company's shareholders		(3,932,000)	-
Net cash used in financing activities		(2,318,780)	-
Effect of exchange rate changes on cash and cash equivalents		1,350,173	2,443,645
Net (decrease)/increase in cash and cash equivalents		6,999,014	8,374,329
Cash and cash equivalents at the beginning of the year	13	8,580,833	206,504
Cash and cash equivalents at the end of the year	13	15,579,847	8,580,833