

**“Caspian International Investment Company” CJSC**

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

**31 December 2017**



## Independent Auditor's Report

To the Shareholders and Management of Caspian International Investment Company CJSC:

### *Our qualified opinion*

In our opinion, except for the possible 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 2017 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

### **What we have audited**

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2017
- the consolidated statement of profit or loss and other 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 2017 the Financial assets designated at fair value through profit or loss line of the Group's consolidated statement of financial position includes investment in NAA Agrotara in the amount of Azerbaijani manat ("AZN") 2,793 thousand. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of this investment due to the absence of the necessary underlying data, since the Group's management does not have an access to the financial and other information of NAA Agrotara. Consequently, we were unable to determine whether any adjustments to this amount were necessary.

We conducted our audit in accordance with International Standards on Auditing (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 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 IFRS, 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  
11 June 2018

**Caspian International Investment Company CJSC**  
**Consolidated Statement of Financial Position**

<i>In Azerbaijani Manats</i>	Note	31 December 2017	31 December 2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		15,086	18,046
Intangible assets		12,417	13,667
Financial assets at fair value through profit or loss			
Investments in subsidiaries	21,22	3,281,782	2,826,252
Investments in associates	21,23	3,810,000	1,578,700
Investments in joint ventures	21,23	2,534,250	-
Investments	21	2,792,881	2,792,881
Deferred tax asset		744,880	774,211
<b>Total non-current assets</b>		<b>13,191,296</b>	<b>8,003,757</b>
<b>Current assets</b>			
Cash and cash equivalents	12	8,661,714	13,428,052
Term deposits with banks	13	3,060,180	9,384,710
Trade receivables	9	475,764	65,642
Inventories	8	5,219,583	5,275,435
Other current assets	10	607,498	285,359
<b>Total current assets</b>		<b>18,024,739</b>	<b>28,439,198</b>
<b>TOTAL ASSETS</b>		<b>31,216,035</b>	<b>36,442,955</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital		31,001,200	31,001,200
Retained earnings		2,860	4,641,585
<b>TOTAL EQUITY</b>		<b>31,004,060</b>	<b>35,642,785</b>
<b>Current liabilities</b>			
Other current liabilities	11	110,090	698,285
<b>Total current liabilities</b>		<b>110,090</b>	<b>698,285</b>
<b>Non-current liabilities</b>			
Deferred tax liability	19	101,885	101,885
<b>Total non-current liabilities</b>		<b>101,885</b>	<b>101,885</b>
<b>TOTAL LIABILITIES</b>		<b>211,975</b>	<b>800,170</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>31,216,035</b>	<b>36,442,955</b>

Approved for issue and signed on behalf of the Management on 11 June 2018.

Mr. Elvin Ashirov  
General Manager



Mr. Ruslan Gomeiko  
Finance Manager

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

<i>In Azerbaijani Manats</i>	<b>Note</b>	<b>2017</b>	<b>2016</b>
Revenue	16	2,130,826	101,288
Dividend income		104,677	-
Cost of sales	17	(1,896,253)	(93,675)
<b>Gross profit</b>		<b>339,250</b>	<b>7,613</b>
Administrative and other operating expenses	17	(793,883)	(867,055)
<b>Operating loss</b>		<b>(454,633)</b>	<b>(859,442)</b>
Finance income	15	340,901	493,782
Finance expenses		(17,385)	-
Other income		205,378	35,056
Net foreign exchange (loss)/gain		(671,943)	3,009,330
<b>(Loss)/profit before income tax</b>		<b>(597,682)</b>	<b>2,678,726</b>
Income tax expense	19	(41,043)	(649,465)
<b>(LOSS)/PROFIT FOR THE YEAR</b>		<b>(638,725)</b>	<b>2,029,261</b>
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE</b>		<b>(638,725)</b>	<b>2,029,261</b>

**Caspian International Investment Company CJSC**  
**Consolidated Statement of Changes in Equity**

	Share capital	Retained earnings	Total Equity
<i>In Azerbaijani Manats</i>			
<b>Balance at 1 January 2016</b>	<b>31,001,200</b>	<b>6,544,324</b>	<b>37,545,524</b>
Profit/(Loss) for the year	-	2,029,261	2,029,261
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>2,029,261</b>	<b>2,029,261</b>
Dividends declared	-	(3,932,000)	(3,932,000)
<b>Balance at 31 December 2016</b>	<b>31,001,200</b>	<b>4,641,585</b>	<b>35,642,785</b>
Profit/(Loss) for the year	-	(638,725)	(638,725)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>(638,725)</b>	<b>(638,725)</b>
Dividends declared	-	(4,000,000)	(4,000,000)
<b>Balance at 31 December 2017</b>	<b>31,001,200</b>	<b>2,860</b>	<b>31,004,060</b>

**Caspian International Investment Company CJSC**  
**Consolidated Statement of Cash Flows**

<i>In Azerbaijani Manats</i>	<b>Note</b>	<b>2017</b>	<b>2016</b>
<b>Cash flow from operating activities</b>			
Profit before income tax		(597,682)	2,678,726
Adjustments for:			
Net foreign exchange loss/(gain)		671,943	(3,009,330)
Depreciation and amortisation	18	7,097	10,147
Finance income	15	(340,901)	(493,782)
<b>Operating cash flows before working capital changes</b>		<b>(259,543)</b>	<b>(814,239)</b>
Increase in receivables		(410,122)	-
Decrease in inventories		55,852	-
Increase in other current assets		(322,139)	(249,429)
(Decrease)/increase in other current liabilities		(588,202)	48,703
<b>Changes in working capital</b>		<b>(1,264,611)</b>	<b>(200,726)</b>
Income tax paid		(11,712)	(2,276,343)
<b>Net cash used in operating activities</b>		<b>(1,535,866)</b>	<b>(3,291,308)</b>
<b>Cash flows from investing activities</b>			
Purchase of property and equipment		(2,886)	(2,375)
Acquisition of intangible assets		-	(9,652)
Acquisition of investments in subsidiaries		(455,530)	(2,865,480)
Acquisition of investments in associate and joint venture	23	(4,765,550)	-
Investments in term deposits	13	(3,110,760)	(9,967,930)
Redeemed deposits	13	9,066,660	23,138,738
Interest received		340,901	493,783
<b>Net cash generated from investing activities</b>		<b>1,072,835</b>	<b>10,787,084</b>
Dividends paid to the Group's shareholders	14	(4,000,000)	(3,932,000)
<b>Net cash used in financing activities</b>		<b>(4,000,000)</b>	<b>(3,932,000)</b>
Effect of exchange rate changes on cash and cash equivalents		(303,313)	1,335,054
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(4,766,344)</b>	<b>4,898,830</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>13,428,052</b>	<b>8,529,222</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>8,661,714</b>	<b>13,428,052</b>