

**Don Agro International Limited
and its subsidiaries
Registration Number: 201835258H**

Condensed interim financial statements for the six months
and full year ended 31 December 2022

**Statements of financial position
As at 31 December 2022**

	Note	Group		Company	
		2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Assets					
Property, plant and equipment	6	47,280	37,615	–	–
Biological assets	7	10,723	7,557	–	–
Right-of-use assets	13	4,496	5,993	–	–
Investments in subsidiaries		–	–	16,616	16,639
Goodwill	27	471	465	–	–
Other non-current assets		15	22	–	–
Non-current assets		62,985	51,652	16,616	16,639
Biological assets	7	8,739	9,757	–	–
Current tax assets		5	41	–	–
Inventories	8	20,336	17,549	–	–
Trade and other receivables	9	2,851	3,376	2,109	3,069
Cash and cash equivalents	10	3,164	6,769	1,524	1,544
Current assets		35,095	37,492	3,633	4,613
Total assets		98,080	89,144	20,249	21,252
Equity					
Share capital	11	40,667	40,667	40,911	40,911
Capital reserves	11	(10,450)	(10,450)	(21,270)	(21,270)
Revaluation reserves	28	24,020	16,975	–	–
Foreign currency translation reserve		(7,373)	(7,539)	–	–
Accumulated profits (loss)		25,964	27,948	(62)	833
Equity attributable to the owners of the Company		72,828	67,601	19,579	20,474
Non-controlling interests		59	43	–	–
Total equity		72,887	67,644	19,579	20,474
Liabilities					
Loans and borrowings	12	1,131	452	–	–
Lease liabilities	13	4,283	5,396	–	–
Trade and other payables	14	–	–	70	–
Deferred tax liabilities	16	5,815	4,195	–	–
Deferred income		192	286	–	–
Non-current liabilities		11,421	10,329	70	–
Loans and borrowings	12	5,039	6,299	–	–
Lease liabilities	13	1,175	1,123	–	–
Current tax liabilities		196	156	–	–
Trade and other payables	14	6,587	2,887	600	778
Deferred income		97	78	–	–
Provisions	15	678	628	–	–
Current liabilities		13,772	11,171	600	778
Total liabilities		25,193	21,500	670	778
Total equity and liabilities		98,080	89,144	20,249	21,252

The accompanying notes form an integral part of these consolidated financial statements.

*Don Agro International Limited
and its subsidiaries
Condensed interim financial statements
For the six months and full year ended 31 December 2022*

Condensed interim consolidated statement of profit or loss and other comprehensive income

		6 months ended 31 December 2022 \$'000	6 months ended 31 December 2021 \$'000	Change, %	12 months ended 31 December 2022 \$'000	12 months ended 31 December 2021 \$'000	Change, %
Revenue	17	19,877	21,517	(7.6)	37,936	30,944	22.6
Cost of sales	18	(19,977)	(20,938)	(4.6)	(37,068)	(29,025)	27.7
(Loss)/ gain from change in fair value of biological assets and agricultural produce	7	(1,917)	5,046	(138.0)	1,671	9,956	(82.8)
Gross profit		(2,017)	5,625	(135.8)	2,539	11,875	(78.6)
Administrative expenses	19	(1,728)	(1,930)	(10.5)	(3,443)	(3,335)	3.2
Bargain purchase from acquisition of subsidiary	26	—	2,567	(100.0)	—	2,567	(100.0)
Other operating income/(expenses), net	19	214	4	N.M	(4)	276	(101.4)
Results from operating activities		(3,531)	6,266	(156.3)	(908)	11,383	(108.0)
Finance income		—	191	(100)	398	191	108.4
Finance costs		(2,106)	(771)	173.2	(1,266)	(962)	31.6
Net finance costs		(2,106)	(580)	263.1	(868)	(771)	12.6
(Loss) /profit before tax		(5,637)	5,686	(199.1)	(1,776)	10,612	(116.7)
Tax expense	21	(165)	(121)	36.4	(192)	(280)	(31.4)
(Loss)/profit for the year		(5,802)	5,565	(204.2)	(1,968)	10,332	(119.0)
(Loss)/profit attributable to:							
Owners of the Company		(5,816)	5,560	(204.3)	(1,984)	10,321	(119.2)
Non-controlling interests		14	5	N.M.	16	11	N.M.
(Loss)/ profit for the year		(5,802)	5,565	(204.3)	(1,968)	10,332	(119.0)
Other comprehensive (loss)/income:							
<i>Items that may be reclassified subsequently to profit or loss</i>							
Foreign currency translation differences arising from functional and presentation currency		(26,374)	(1,190)	(2316.3)	166	(43)	N.M
<i>Items that will not be reclassified subsequently to profit or loss:</i>							
Revaluation of property plant and equipment	28	8,806	21,219	(58.5)	8,806	21,219	(58.5)
Related income tax	16	(1,761)	(4,244)	(58.5)	(1,761)	(4,244)	(58.5)
Other comprehensive (loss)/income for the year, net of tax		(19,329)	15,785	(222.4)	7,211	16,932	(57.4)
Total comprehensive (loss)/ income for the year		(25,131)	21,350	(217.7)	5,243	27,264	(80.8)
Total comprehensive (loss)/ income attributable to:							
Owners of the Company		(25,145)	21,345	(217.8)	5,227	27,253	(80.8)
Non-controlling interests		14	5	N.M	16	11	N.M
Total comprehensive (loss)/ income for the year		(25,131)	21,350	(217.7)	5,243	27,264	(80.8)
(Loss)/earnings per share							
Basic and diluted (loss)/ earnings per share (cents)	24	(3.87)	3.70	—	(1.32)	6.87	—

N.M. denotes not meaningful

The accompanying notes form an integral part of these consolidated financial statements.

**Condensed statement of changes in equity (Group)
For the year ended 31 December 2022**

	Note	Attributable to owners of the Company				Accumulated profits \$'000	Total \$'000	Non- controlling interests \$'000	Total equity \$'000
		Share capital \$'000	Capital reserves \$'000	Foreign currency translation reserve \$'000	Revaluation reserve \$'000				
At 1 January 2022		40,667	(10,450)	(7,539)	16,975	27,948	67,601	43	67,644
Total comprehensive income for the year									
Loss for the year		–	–	–	–	(1,984)	(1,984)	16	(1,968)
Other comprehensive income/(loss)									
Foreign currency translation differences		–	–	166	–	–	166	–	166
Revaluation of property plant and equipment	28	–	–	–	8,806	–	8,806	–	8,806
Related income tax		–	–	–	(1,761)	–	(1,761)	–	(1,761)
Total comprehensive income/ (loss) for the year		–	–	166	7,045	(1,984)	5,227	16	5,243
At 31 December 2022		40,667	(10,450)	(7,373)	24,020	25,964	72,828	59	72,887

The accompanying notes form an integral part of these consolidated financial statements.

**Condensed statement of changes in equity (cont'd) (Group)
For the year ended 31 December 2021**

	Note	Attributable to owners of the Company					Total \$'000	Non- controlling interests \$'000	Total equity \$'000
		Share capital \$'000	Capital reserves \$'000	Foreign currency translation reserve \$'000	Revaluation reserve \$'000	Accumulated profits \$'000			
At 1 January 2021		40,667	(10,450)	(7,496)	–	20,646	43,367	32	43,399
Total comprehensive income for the year									
Profit for the year		–	–	–	–	10,321	10,321	11	10,332
Other comprehensive (loss)/ income									
Foreign currency translation differences		–	–	(43)	–	–	(43)	–	(43)
Revaluation of property plant and equipment	28	–	–	–	21,219	–	21,219	–	21,219
Related income tax		–	–	–	(4,244)	–	(4,244)	–	(4,244)
Total comprehensive (loss)/income for the year		–	–	(43)	16,975	10,321	27,253	11	27,264
Transactions with owners, recognised directly in equity									
Dividends	11	–	–	–	–	(3,019)	(3,019)	–	(3,019)
Total transactions with owners		–	–	–	–	(3,019)	(3,019)	–	(3,019)
At 31 December 2021		40,667	(10,450)	(7,539)	16,975	27,948	67,601	43	67,644

The accompanying notes form an integral part of these consolidated financial statements.

**Condensed statement of changes in equity (Company)
For the year ended 31 December 2022**

	Note	Attributable to owners of the Company (Company)			
		Share capital \$'000	Capital reserves \$'000	Accumulated profits \$'000	Total equity \$'000
At 1 January 2022		40,911	(21,270)	833	20,474
Total comprehensive loss for the period					
Loss for the year		–	–	(895)	(895)
Total comprehensive loss for the year		–	–	(895)	(895)
At 31 December 2022		40,911	(21,270)	(62)	19,579

The accompanying notes form an integral part of these consolidated financial statements.

**Condensed statement of changes in equity (cont'd) (Company)
For the year ended 31 December 2021**

	Note	Attributable to owners of the Company (Company)			Total equity \$'000
		Share capital \$'000	Capital reserves \$'000	Accumulated profits \$'000	
At 1 January 2021		40,911	(21,270)	1,718	21,359
Total comprehensive income for the year					
Profit for the year		–	–	2,134	2,134
Total comprehensive income for the year		–	–	2,134	2,134
Transactions with owners, recorded directly in equity					
Dividends	11	–	–	(3,019)	(3,019)
Total transactions with owners		–	–	(3,019)	(3,019)
At 31 December 2021		40,911	(21,270)	833	20,474

The accompanying notes form an integral part of these consolidated financial statements.

**Condensed interim consolidated statement of cash flows
For the year ended 31 December 2022**

	2022	2021
	\$'000	\$'000
Cash flows from operating activities		
Loss/ (profit) for the year	(1,968)	10,332
Adjustments for:		
Depreciation of property, plant and equipment and right-of-use assets	4,020	2,958
Gain on disposal of property, plant and equipment	(30)	(46)
Income from trade payable write-off	(26)	(22)
Income from write back of provision for unused vacation	(60)	(19)
Finance costs	1,266	962
Finance income	(398)	(191)
Tax expense	192	280
Gain from change in fair value of biological assets and agricultural produce	(1,671)	(9,956)
Revaluation of sold biological assets recognised in cost of sales	7,184	7,771
Impairment loss recognised on trade and other receivables and short-term investments	3	1
Impairment loss recognised on inventories relating to agricultural produce	427	457
Impairment loss recognised on other inventories made	127	165
Bargain purchase from acquisition of subsidiary	–	(2,567)
	<u>9,066</u>	<u>10,125</u>
Changes in:		
Trade and other receivables	638	(168)
Inventories	(11,607)	(16,915)
Biological assets	(479)	9,867
Trade and other payables and provisions	4,065	(1,167)
Deferred income	(90)	(85)
Cash from operations	<u>1,593</u>	<u>1,657</u>
Tax paid	(108)	(258)
Net cash generated from operating activities	<u>1,485</u>	<u>1,399</u>

The accompanying notes form an integral part of these consolidated financial statements.

**Consolidated interim consolidated statement of cash flows (cont'd)
For the year ended 31 December 2022**

	Note	2022 \$'000	2021 \$'000
Cash flows from investing activities			
Purchase of property, plant and equipment		(4,438)	(2,607)
Proceeds from sale and disposal of property, plant and equipment		155	120
Deposits returned		–	4,246
Interest received		321	173
Acquisition of subsidiary, net of cash acquired	26	–	(2,636)
Net cash used in investing activities		<u>(3,962)</u>	<u>(704)</u>
Cash flows from financing activities			
Proceeds from borrowings		10,742	6,653
Repayment of borrowings		(11,503)	(7,293)
Repayment of lease liabilities		(294)	(121)
Interest paid		(614)	(362)
Dividends paid		–	(2,900)
Net cash used in financing activities		<u>(1,669)</u>	<u>(4,023)</u>
Net decrease in cash and cash equivalents			
Cash and cash equivalents at 1 January		6,769	9,992
Effect of exchange rate fluctuations on cash held		541	105
Cash and cash equivalents at 31 December	10	<u>3,164</u>	<u>6,769</u>

The accompanying notes form an integral part of these consolidated financial statements.

Notes to the condensed interim consolidated financial statements

These notes form an integral part of the condensed interim consolidated financial statements.

1 Business and organisation

The Company was incorporated as Don Agro International Private Limited on 16 October 2018 and is domiciled in the Republic of Singapore. The Company was a private company limited by shares with an issued and paid-up share capital of \$100 comprising 100 shares of which 6% and 94% are held by Mr Marat Devlet-Kildeev and Mr Evgeny Tugolukov, respectively. The Company's registered address is 10 Collyer Quay, #10-01, Ocean Financial Centre, Singapore 049315.

The financial statements of the Group comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

The Group's principal business activity is growing, processing and distribution of agricultural and dairy products, mainly grain and milk at farms located in the Rostov Region. The Group's products are sold in the Russian Federation.

The condensed financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

2 Basis of preparation

The condensed interim consolidated financial statements for the six months ended 31 December 2022 have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS (I)") 1-34 *Interim Financial Reporting* issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last interim financial statements for the period ended 30 June 2022.

These interim consolidated financial statements are presented in Singapore dollars ("S\$"). The functional currency of the Company is the Russian rouble ("RUB"). Assets and liabilities are translated from RUB functional currency to S\$ at rates of exchange ruling at the respective reporting dates. All equity items are translated at historical rates. The results for the respective years are translated using the average rate. Resultant exchange differences are recognised directly in equity, in the foreign currency translation reserve. All financial information presented in S\$ has been rounded to nearest thousand, unless otherwise stated.

2.1. New standards and amendments

The Group has applied the relevant SFRS (I) s, amendments to and interpretations of SFRS (I) for the first time for the annual period beginning on 1 January 2022.

The application of these amendments to standards and interpretations does not have a material effect on the financial statements. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amendments and interpretations.

3 Use of judgements and estimates

In preparing the unaudited interim consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last issued audited consolidated financial statements.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the full year ended 31 December 2022 are included in note 7 – determining the fair value of biological assets and agricultural produce on the basis of significant unobservable inputs and included in note 28-determining the fair value of land plots on the basis of significant unobservable inputs.

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair value. This includes a finance team that has overall responsibility for all significant fair value measurements, including Level 3 fair values, and report directly to the Chief Financial Officer.

The finance team regularly reviews significant unobservable inputs and valuation adjustments.

Significant valuation issues are reported to the Board of directors.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- *Level 1* : quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2* : inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- *Level 3* : inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in note 7 – biological assets, and in note 28 – revaluation of land plots.

4 Changes in significant accounting policies

The accounting policies applied in these unaudited condensed interim consolidated financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2021.

A number of amendments to Standards have become applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting those standards.

5 Seasonality of operations

The Group's crops segment is subject to seasonal fluctuations due to the different cultivation period for each type of crops. In particular, winter wheat are cultivated between October and August in separate calendar years, while other crops such as sunflower and corn are cultivated between April and October.

The Group attempted to minimise the seasonal impact by managing inventories to meet demand during this period. However, this segment typically has lower revenues and results for the second half of the year. Revenue for the crop segment for the six months period ended 31 December 2022 amounted to S\$14,749,000 (six month's period ended 31 December 2021: S\$18,108,000). Fluctuations of results are minimised by measuring the biological assets as at 31 December at fair value less estimated point-of-sale costs at the time of harvesting

6 Property, plant and equipment

	Land \$'000	Buildings \$'000	Plant and equipment \$'000	Motor Vehicles \$'000	Construction in progress \$'000	Total \$'000
Valuation/Cost						
At 1 January 2021	4,025	4,917	13,084	1,113	7	23,146
Additions	548	108	1,762	185	4	2,607
Acquisition of subsidiary	1,207	1,191	882	24	21	3,325
Disposals/Write-off	–	(9)	(177)	(6)	(6)	(198)
Revaluation	21,219	–	–	–	–	21,219
Effect on movements in exchanges rates	(234)	19	61	5	–	(149)
At 31 December 2021	26,765	6,226	15,612	1,321	26	49,950
Additions	507	268	3,250	307	106	4,438
Disposals/Write-off	(31)	(47)	(1,637)	(26)	–	(1,741)
Revaluation	8,807	–	–	–	–	8,807
Effect on movements in exchanges rates	(679)	62	33	(13)	(12)	(609)
At 31 December 2022	35,369	6,509	17,258	1,589	120	60,845
Accumulated depreciation and impairment losses						
At 1 January 2021	–	(1,349)	(8,302)	(725)	–	(10,376)
Depreciation charge for the year	–	(405)	(1,513)	(116)	–	(2,034)
Disposals/Write-off	–	3	115	6	–	124
Effect on movements in exchange rates	–	(5)	(40)	(4)	–	(49)
At 1 January 2022	–	(1,756)	(9,740)	(839)	–	(12,335)
Depreciation charge for the year	–	(509)	(2,132)	(169)	–	(2,810)
Disposals/Write-off	–	13	1,577	26	–	1,616
Effect on movements in exchange rates	–	32	(73)	5	–	(36)
At 31 December 2022	–	(2,220)	(10,368)	(977)	–	(13,565)
Carrying amounts						
At 1 January 2021	4,025	3,568	4,782	388	7	12,770
At 31 December 2021	26,765	4,470	5,872	482	26	37,615
At 31 December 2022	35,369	4,289	6,890	612	120	47,280

7 Biological assets

	2022	2021
	\$'000	\$'000
Livestock	10,092	7,176
Permanent grasses	631	381
Non-current	<u>10,723</u>	<u>7,557</u>
Current – crops	8,739	9,757
	<u><u>19,462</u></u>	<u><u>17,314</u></u>

Biological assets - crops

In 2022 and 2021, the Group cultivated wheat, sunflower, corn and other crops. As at 31 December, the unharvested crops are represented by the following types.

	2022	2021
	\$'000	\$'000
Winter wheat	8,739	9,734
Corn	–	23
Balance at 31 December – current	<u><u>8,739</u></u>	<u><u>9,757</u></u>

Changes in biological assets - crops balances are disclosed below:

	Note	2022	2021
		\$'000	\$'000
Balance at 1 January		9,757	7,444
Increase due to costs on growing crops		29,644	19,659
Acquisition of subsidiary	26	–	1,748
Gain arising from changes in fair value less estimated cost to sell		805	12,002
Decrease of crops due to harvest		(31,751)	(31,120)
Effect on movements in exchange rates		284	24
Balance at 31 December – current		<u><u>8,739</u></u>	<u><u>9,757</u></u>

Biological assets - permanent grasses

Changes in biological assets - permanent grasses balances are disclosed below:

	2022	2021
	\$'000	\$'000
Balance at 1 January	381	304
Increase due to costs on growing crops	1,207	869
Decrease of crops due to harvest	(931)	(793)
Effect on movements in exchange rates	(26)	1
Balance at 31 December – non-current	<u>631</u>	<u>381</u>

Biological assets - livestock

Changes in biological assets - livestock balances are disclosed below:

	2022	2021
	\$'000	\$'000
Balance at 1 January	7,176	7,503
Acquisition of subsidiary	–	146
Increase due to cost on growth	13,668	10,261
Disposal due to mortality	(28)	(44)
Decrease due to sales of livestock	(1,804)	(1,058)
Decrease due to sales of milk	(9,526)	(7,641)
Gain/ (loss) arising from changes in fair value less estimated cost to sell	866	(2,046)
Effect on movements in exchange rates	(260)	55
Balance at 31 December – non-current	<u>10,092</u>	<u>7,176</u>

Risk management strategy related to agriculture activities

The Group is exposed to the following risks related to its crops and livestock:

Regulatory and environmental risks

The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems are in place to manage those risks.

Supply and demand risk

The Group is exposed to risks arising from fluctuations in the price and sales volume of grain and milk products. Whenever possible, the Group manages this risk by aligning its production volume to market supply and demand. Management performs regular industry trend analyses to ensure that the Group's pricing structure is in line with the market and to ensure that the projected harvest and milk volumes are consistent with expected demand.

Climate and other risks

The Group's crops are exposed to the risk of damage from climatic changes and diseases. The Group has extensive processes in place aimed at monitoring and mitigating those risks. The Group does not insure itself against failure of crops.

Measurement of fair values

Fair value hierarchy

The fair value measurements for the crops and livestock have been categorised as Level 3 fair values based on the inputs to the valuation techniques used.

Permanent grass is stated at cost, less accumulated depreciation and accumulated impairment losses as the fair value of permanent grass cannot be measured reliably. The permanent grass is grown for internal consumption and has neither comparable nor observable market sales data.

Level 3 fair value

The following table shows a breakdown of the total gains/ (losses) recognised in respect of Level 3 fair values.

	2022	2021
	\$'000	\$'000
Gain from change in fair value of biological assets and agricultural produce		
- Change in fair value (realised)	(2,926)	2,728
- Change in fair value (unrealised)	4,597	7,228
	1,671	9,956
(Loss)/Gain included in OCI		
Effect of movements in exchange rates	(2)	80

Valuation techniques and significant unobservable inputs

The following table shows the Group's valuation techniques used in measuring Level 3 fair values of biological assets, as well as the significant unobservable inputs used:

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurements
<p>Bearer livestock: milk cow</p> <ul style="list-style-type: none"> • Number of dairy cows - 2022:2,098; 2021:2,191 • Number of calves and heifers - 2022:2,218; 2021: 2,242 	<p><i>Discounted cash flow:</i> Fair value is determined using the cash flow model discounted using a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the asset. The cash flow model is based on the physiological characteristics of the animals and management expectations concerning the potential productivity.</p>	<ul style="list-style-type: none"> • Length of lactation period (years) 2022: -2.80; 2021: -2.43 • Herd average daily milk yield (litres) 2022: 19.78; 2021: 20.03 • Market prices for milk in the same region (in RUB/litre excluding VAT) 2022:-39.04; 2021: -39.32 • Risk-adjusted discount rate 2022: 15.2%; 2021: 15.2% 	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> • the lengths of lactation period were longer (shorter); • the herd average daily milk yields were higher (lower); • the market prices for milk in the same region were higher (lower); or • the risk-adjusted discount rates were lower (higher).
<p>Crops: winter wheat</p> <p>Plant area (hectare) - 2022:18,573; 2021: 24,032</p>	<p><i>Discounted cash flow:</i> The valuation model considers the present value of the net cash flows expected to be generated by the crops that are in growing stage as at the year ended. The cash flow projection include the planted area, expected yield, market price and future cost to grow and sell. The expected net cash flows are discounted using a risk-adjusted discount rate.</p>	<ul style="list-style-type: none"> • Market prices for crop in the same region (in RUB/tonne excluding VAT) 2022:LLC Don Agro – 13,445; 2021: 14,958 2022:LLC Volgo –Agro –11,311; 2021: 13,188 2021:LLC Rav Agro-Rost – 14,958; • Risk-adjusted discount rate 2022:15.2%; 2021: 15.2% • Expected yield (tonne/hectare) 2022:LLC Don Agro-4.00; 2021: 3.65 	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> • the expected yields were higher (lower); • the market prices for crop in the same region were higher (lower); • future cost to grow and sell were lower (higher); or • the risk-adjusted discount rates were lower (higher)

2022:LLC Volgo-Agro-2.70;
2021:2.25;
2021:LLC Rav Agro-Rost-3.65.
• Future cost to grow and sell (in
RUB/hectare)
2022:LLC Don Agro – 9,456; 2021:
15,630
2022:LLC Volgo-Agro –6,962; 2021
6,415;
2021:LLC Rav Agro-Rost – 23,859.

8 Inventories

	2022	2021
	\$'000	\$'000
Raw materials and consumables	3,817	3,544
Work in progress	2,732	2,090
Finished goods – agricultural produce	14,101	12,102
	20,650	17,736
Less: Provision for foreseeable losses	(314)	(187)
	20,336	17,549

9 Trade and other receivables

	Group		Company	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Trade receivables	106	55	–	–
Other receivables	74	32	271	88
Less: Impairment losses	(7)	(4)	–	–
	173	83	271	88
Dividends receivable	–	–	1,833	2,973
Advances paid to suppliers	1,538	2,987	5	8
Value-added tax (“VAT”) receivables	1,140	306	–	–
	2,851	3,376	2,109	3,069

In the previous financial year, a wholly-owned subsidiary declared dividends amounting to RUB174,108,380 (\$2,973,000) to the Company for the financial year ended 31 December 2021. The dividends have not been paid to the shareholders.

10 Cash and cash equivalents

	Group		Company	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Petty cash	4	3	–	–
Bank balances	1,702	1,978	1,524	1,544
Short-term bank deposits with maturities of three months or less	1,458	4,788	–	–
	<u>3,164</u>	<u>6,769</u>	<u>1,524</u>	<u>1,544</u>

11 Capital and reserves

Share capital as presented in the statements of financial position refers to shares issued to the controlling shareholders pursuant to the Restructuring Exercise, which is deemed to have taken place since the beginning of the earliest period presented.

Share capital

	Number of shares		Amount	
	For year ended 31 December 2022	For year ended 31 December 2021	For year ended 31 December 2022	For year ended 31 December 2021
			\$'000	\$'000
Issued and fully paid ordinary shares, at par value:				
At the beginning and end of the year	150,272,700	150,272,700	40,667	40,667

There was no change in the Company's share capital from 30 June 2022 to 31 December 2022. The Company did not have any outstanding options, convertibles or treasury shares, and there were no subsidiary holdings as at 31 December 2022 and 31 December 2021. The Company was incorporated on 16 October 2018.

Net asset value

	Group		Company	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Net asset value per ordinary shares (cents)	48.46	44.99	13.03	13.62

Dividends

In the previous financial year, dividends of \$1,739,000 (\$0.01157363 per ordinary share) for FY2020; and interim dividends of \$1,280,000 (\$0.008517848 per ordinary share) for FY2021), respectively, were paid.

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Capital reserve

Capital reserves mainly relates to merger reserves recognised in connection with the execution of the share swap agreement between the Company and Vallerd Investments Limited as a result of the Restructuring Exercise and transactions with former shareholders.

12 Loans and borrowings

	2022	2021
	\$'000	\$'000
Non-current liabilities		
Secured bank loans	1,131	450
Loans from third parties	–	2
	<u>1,131</u>	<u>452</u>
Current liabilities		
Secured bank loans	5,039	6,298
Loans from third parties	–	1
	<u>5,039</u>	<u>6,299</u>

Terms and debt repayment schedule

The terms and conditions of outstanding loans and borrowings are as follows:

	Currency	Nominal interest rate %	Year of maturity	2022		2021	
				Face value \$'000	Carrying amount \$'000	Face value \$'000	Carrying amount \$'000
Secured bank loans	RUB	2.75%- 10.75%	2022 - 2024	6,170	6,170	6,748	6,748
Loans from third parties	RUB	3%	2024	–	–	3	3
				<u>6,170</u>	<u>6,170</u>	<u>6,751</u>	<u>6,751</u>

Details of any collateral

The Group's bank loans are secured by (i) charges over fixed deposits and accounts maintained with banks; (ii) corporate guarantees given by subsidiary Tetra Joint-Stock Company ("JSC"); (iii) pledge of property, plant and equipment; and (iv) personal guarantees from the Chief Executive Officer and Executive Director.

13 Lease liabilities

	2022 \$'000	2021 \$'000
Non-current		
Lease liabilities	<u>4,283</u>	<u>5,396</u>
Current		
Lease liabilities	<u>1,175</u>	<u>1,123</u>

The Group leases agricultural equipment and land plots. Lease liabilities are secured by the leased assets.

	Currency	Nominal interest rate %	Year of maturity	2022		2021	
				Face value \$'000	Carrying amount \$'000	Face value \$'000	Carrying amount \$'000
Lease liabilities	RUB	5% - 13%	2023 – 2040	<u>8,051</u>	<u>5,458</u>	<u>9,711</u>	<u>6,519</u>

Right-of-use assets

Right-of-use assets related to leased properties: Land plots and agricultural equipment:

	Land plots \$'000	Agricultural equipment \$'000	Total \$'000
2022			
Balance at 1 January	5,881	112	5,993
Depreciation charge for the year	(1,141)	(69)	(1,210)
Additions to right-of-use assets	3	–	3
Remeasurement of right-of-use assets	(867)	–	(867)
Modification of right-of-use assets	290	–	290
Effect on movements in exchange rates	277	9	286
Balance at 31 December	<u>4,443</u>	<u>53</u>	<u>4,496</u>
2021			
Balance at 1 January	4,775	45	4,820
Depreciation charge for the year	(907)	(17)	(924)
Additions to right-of-use assets	2	–	2
Remeasurement of right-of-use assets	1,121	–	1,121
Modification of right-of-use assets	534	–	534
Acquisition of subsidiary	335	85	420
Effect on movements in exchange rates	21	(1)	20
Balance at 31 December	<u>5,881</u>	<u>112</u>	<u>5,993</u>

Amounts recognised in profit or loss

	2022 \$'000	2021 \$'000
Interest on lease liabilities	(834)	(735)
Income from remeasurement and modification of lease liabilities presented in 'other income'	77	18
	<u>(757)</u>	<u>(717)</u>

14 Trade and other payables

	Company	
	2022	2021
	\$'000	\$'000
Non-current		
Amount due to subsidiary	70	–

Amount due to subsidiary is unsecured, interest bearing of 6.10% per annum and is payable no later than 30 June 2025.

	Group		Company	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Current				
Trade payables	427	412	–	–
Other payables	337	672	429	537
Payables to employees	161	138	–	–
Advances received from customers	5,051	1,105	–	–
Dividends payable	171	171	171	171
Amount due to subsidiary	–	–	–	70
Tax payable other than income tax	440	389	–	–
	6,587	2,887	600	778

15 Provisions

Provisions were created mainly for employees' unused vacation and year-end bonuses. The unused vacation and year-end bonuses provisions are expected to be utilised within the next 12 months.

	2022	2021
	\$'000	\$'000
At 1 January	628	700
Provision made during the year	662	679
- Staff's unused vacation	662	679
- Staff's year-end bonuses	–	–
Acquisition of subsidiary	–	27
Provision used during the year	(556)	(765)
Write back provision	(60)	(19)
Effect on movements in exchange rates	4	6
At 31 December	678	628

16 Deferred tax liabilities

The movements in the deferred tax account are as follows:

	Note	2022 \$'000	2021 \$'000
At 1 January		4,195	–
Revaluation of land plots	28	1,761	4,244
Effect on movements in exchange rates		(141)	(49)
At 31 December		5,815	4,195

17 Revenue

	6 months ended 31 December 2022 \$'000	6 months ended 31 December 2021 \$'000	12 months ended 31 December 2022 \$'000	12 months ended 31 December 2021 \$'000
Revenue from sale of crop production	12,750	16,241	24,555	20,583
Revenue from sale of livestock and milk	7,050	5,223	13,228	10,263
Revenue from services provided	77	53	153	98
	19,877	21,517	37,936	30,944

18 Cost of sales

	6 months ended 31 December 2022 \$'000	6 months ended 31 December 2021 \$'000	12 months ended 31 December 2022 \$'000	12 months ended 31 December 2021 \$'000
Biological assets sold	11,512	13,217	21,757	17,339
Wages and salaries	3,769	3,226	6,616	5,100
Depreciation of property, plant and equipment and amortisation of ROU assets	1,763	1,788	3,402	2,555
Operating lease expenses	257	200	510	266
Growing and harvesting services	704	532	1,438	896
Energy utilities	256	250	474	418
Taxes not relating to income tax	90	69	149	114
Impairment loss on inventories relating to agriculture produce	347	151	427	457
Others	1,279	1,505	2,295	1,880
	19,977	20,938	37,068	29,025

Biological assets sold consist of the cost of material expenses incurred and the cumulative fair value changes of the agricultural produce at the date of harvest.

19 Operating income and expenses

	6 months ended 31 December 2022 \$'000	6 months ended 31 December 2021 \$'000	12 months ended 31 December 2022 \$'000	12 months ended 31 December 2021 \$'000
Administrative expenses				
Wages and salaries	953	777	1,922	1,729
Depreciation property, plant and equipment and amortisation of ROU assets	16	11	25	22
Information, consulting and other professional services	535	944	1,075	1,268
Operating lease expenses	33	32	67	48
Repair costs	19	10	31	18
Business travel expenses	27	28	59	58
Other material expenses	57	78	103	102
Others	88	50	161	90
	<u>1,728</u>	<u>1,930</u>	<u>3,443</u>	<u>3,335</u>
Other operating income/(expenses)				
Government grants received	883	535	1,091	887
Income from trade payable write-off	9	22	26	22
Income from write back of unused vacation	60	19	60	19
Impairment loss on trade and other receivables and short-term investments reversed	(4)	(4)	(4)	(4)
Bank services	(103)	(74)	(141)	(102)
Gain on disposal of property, plant and equipment	41	1	30	46
Penalties	(24)	(15)	(27)	(21)
Other taxes	–	(85)	(557)	(137)
(Impairment loss)/Reversal of impairment on other inventories	(204)	(165)	(127)	(165)
Other expenses	(444)	(230)	(355)	(269)
	<u>214</u>	<u>4</u>	<u>(4)</u>	<u>276</u>

20 Employee benefits

	6 months ended 31 December 2022 \$'000	6 months ended 31 December 2021 \$'000	12 months ended 31 December 2022 \$'000	12 months ended 31 December 2021 \$'000
Salaries and related expenses	(3,918)	(2,964)	(6,710)	(5,369)
Contributions to defined contribution plans	(1,266)	(927)	(2,146)	(1,637)
Provision made for unused vacation	(374)	(418)	(663)	(679)
	<u>(5,558)</u>	<u>(4,309)</u>	<u>(9,519)</u>	<u>(7,685)</u>

Employee benefits expense for the year are charged to the accounts stated as follows:

	6 months ended 31 December 2022 \$'000	6 months ended 31 December 2021 \$'000	12 months ended 31 December 2022 \$'000	12 months ended 31 December 2021 \$'000
Biological assets	822	733	(1,239)	(1,151)
Inventories	(1,870)	(1,175)	(2,392)	(1,203)
Cost of sales	(3,558)	(3,064)	(3,966)	(3,602)
Administrative expenses	(952)	(803)	(1,922)	(1,729)
	<u>(5,558)</u>	<u>(4,309)</u>	<u>(9,519)</u>	<u>(7,685)</u>

21 Tax expense

The income tax rate applicable to the majority of the Group's income is 0% for activities related to agricultural production; other activities are taxed at 20% respectively.

22 Contingencies and commitments

Insurance

The insurance industry in the Russian Federation is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for its plant facilities, biological assets, business interruption, or third party liability in respect of property or environmental damage arising from accidents on the Group's property or relating to the Group's operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

Taxation

The taxation system in the Russian Federation continues to evolve and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities.

The tax authorities have the power to impose fines and penalties for tax arrears. A tax year is generally open for review by the tax authorities during three subsequent calendar years. Currently the tax authorities are taking a more assertive and substance-based approach to their interpretation and enforcement of tax legislation in the Russian Federation.

In addition, changes aimed at regulating tax consequences of transactions with foreign companies have been introduced, such as concept of beneficial ownership of income, taxation of controlled foreign companies, tax residency rules, etc. These changes may potentially impact the Group's tax position and create additional tax risks.

All these circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the tax authorities and courts could differ and the effect on these consolidated financial statements, if the authorities are successful in enforcing their interpretations, could be significant.

23 Related parties

Key management personnel compensation

Key management personnel of the Group are those persons having authority and responsibility for planning, directing and controlling the activities of the Group.

Key management received the following remuneration during the year, which is included in employee benefits expense (see note 20):

	6 months ended 31 December 2022 \$'000	6 months ended 31 December 2021 \$'000	12 months ended 31 December 2022 \$'000	12 months ended 31 December 2021 \$'000
Salaries and related expenses	436	372	885	1,082
Contributions to defined contribution plans	92	70	202	221
	<u>528</u>	<u>442</u>	<u>1,087</u>	<u>1,303</u>

Guarantees

At 31 December 2022 and 2021, the Group received a number of guarantees from a related party in connection with certain bank loans obtained by the Group amounting to \$6,168,000 and \$6,748,000 respectively.

24 (Loss)/earnings per share

Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share for the six months period ended and for the twelve months period 31 December 2022 and 2021 is based on the (loss)/ profit attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding during the period/ year, as follows:

	For the six months period ended 31 December		For the twelve months period ended 31 December	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
(Loss)/ profit attributable to owners of the Company	<u>(5,816)</u>	<u>5,560</u>	<u>(1,984)</u>	<u>10,321</u>
	No. of shares	No. of shares	No. of shares	No. of shares
Weighted average number of shares during the period	<u>150,272,700</u>	<u>150,272,700</u>	<u>150,272,700</u>	<u>150,272,700</u>

Diluted earnings per share

As at 31 December 2022 and 31 December 2021, there were no outstanding dilutive potential ordinary shares.

25 Operating segments

Basis of segmentation

The Group has the following two strategic divisions, which are its reportable segments. These divisions offer different products and are managed separately because they require different technology and marketing strategies.

The following summary describes the operations in each of the Group's reportable segment.

Reportable segments	Operations
Crops	It includes production and sale of agriculture produce in the Russian Federation, mainly winter wheat, sunflower and corn
Livestock	It includes the breeding of dairy cows for milk production and sale of livestock

The Group's chief executive officer reviews the internal management reports of each division at least quarterly.

Other operations include other non-significant segments. None of these segments met the quantitative thresholds for reportable segments in 2021 and 2022.

There are varying levels of integration between the Crop segment and Livestock segment. This integration includes transfer of harvested crops for production of feed for dairy cow consumption. Inter-segment pricing is determined on an arm's length basis.

Information about reportable segments

Information related to each reportable segment is set out below. Segment profit (loss) before tax is used to measure performance because management believes that such information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries.

	Reportable segments		Total reportable segments \$'000	All other segments \$'000
	Crops \$'000	Livestock \$'000		
2022				
External revenue	24,553	13,228	37,781	155
Inter-segment revenue	4,235	–	4,235	–
Segment revenue	28,788	13,228	42,016	155
Segment (loss)/profit before tax	(2,816)	1,286	(1,530)	(246)
Other income (expenses)	417	(417)	–	(4)
Finance income	260	140	400	(2)
Finance costs	(1,248)	(18)	(1,266)	0
Depreciation	(2,870)	(355)	(3,225)	(202)

	Reportable segments		Total reportable segments \$'000	All other segments \$'000
	Crops \$'000	Livestock \$'000		
Segment assets	81,516	16,544	98,060	20
Capital expenditure	4,111	226	4,337	101
Segment liabilities	22,735	2,274	25,009	13
Unallocated liabilities:				
Dividends payable	–	–	–	171
<hr/>				
2021				
External revenue	20,582	10,263	30,845	99
Inter-segment revenue	3,497	–	3,497	–
Segment revenue	24,079	10,263	34,342	99
<hr/>				
Segment profit/(loss) before tax	9,972	697	10,669	(56)
Other (expenses)/income	(98)	376	278	(2)
Bargain purchase from acquisition of subsidiary	1,708	851	2,559	8
Finance income	130	65	195	(4)
Finance costs	(996)	34	(962)	–
Depreciation	(2,262)	(262)	(2,524)	(53)
Segment assets	74,980	14,139	89,119	25
Capital expenditure	2,424	167	2,591	16
Acquisition of subsidiary	2,627	628	3,255	70
Segment liabilities	19,956	1,368	21,324	5
Unallocated liabilities:				
Dividends payable	–	–	–	171
<hr/>				

Reconciliations of information on reportable segments to SFRS(I) measures

	2022 \$'000	2021 \$'000
Revenue		
Total revenue for reportable segments	42,016	34,342
Revenue for other segments	155	99
Elimination of inter-segment revenue	(4,235)	(3,497)
Consolidated/Combined revenue	<u>37,936</u>	<u>30,944</u>
Profit before tax		
Total profit before tax for reportable segments	(1,530)	10,668
Loss before tax for other segments	(246)	(56)
Unallocated expenses: Listing expenses	–	–
Consolidated/Combined profit before tax	<u>(1,776)</u>	<u>10,612</u>

Reconciliations of information on reportable segments to SFRS(I) measures

	2022	2021
	\$'000	\$'000
Assets		
Total assets for reportable segments	98,060	89,119
Assets for other segments	20	25
Consolidated/Combined total assets	98,080	89,144
Liabilities		
Total liabilities for reportable segments	25,009	21,324
Liabilities for other segments	13	5
Unallocated liabilities: Dividend payable	171	171
Consolidated/Combined total liabilities	25,193	21,500

Other material items

	Reportable segment totals	Adjustments	Combined Totals
	\$'000	\$'000	\$'000
2022			
Finance income	400	(2)	398
Finance costs	(1,266)	–	(1,266)
Capital expenditure	4,337	101	4,438
Depreciation	(3,225)	(202)	(3,427)
2021			
Bargain purchase from acquisition of subsidiary	2,559	8	2,567
Finance income	195	(4)	191
Finance costs	(962)	–	(962)
Capital expenditure	2,591	16	2,607
Depreciation	(2,524)	(53)	(2,577)

	Reportable segments		Total reportable segments	All other segments
	Crops \$'000	Livestock \$'000	\$'000	\$'000
For the six-month period ended 31 December 2022				
External revenues	12,750	7,050	19,800	77
Inter-segment revenue	1,999	–	1,999	–
Segment revenue	14,749	7,050	21,799	77
Segment (loss)/profit before tax	(8,625)	3,342	(5,283)	(354)

	Reportable segments		Total reportable segments	All other segments
	Crops \$'000	Livestock \$'000		
For the six-month period ended 31 December 2021				
External revenues	16,240	5,223	21,463	54
Inter-segment revenue	1,868	–	1,868	–
Segment revenue	18,108	5,233	23,331	54
Segment profit/(loss) before tax	3,345	2,424	5,769	(83)

Reconciliations of information on reportable segments to SFRS (I) measures

	For the six-month period ended 31 December	
	2022 \$'000	2021 \$'000
Revenue		
Total revenue for reportable segments	21,799	23,331
Revenue for other segments	77	54
Elimination of inter-segment revenue	(1,999)	(1,868)
Consolidated revenue	19,877	21,517
(Loss)/profit before tax		
Total (loss)/profit before tax for reportable segments	(5,283)	5,769
Loss before tax for other segments	(354)	(83)
Consolidated (loss)/profit before tax	(5,637)	5,686

Other material items

	Reportable segment totals	Adjustments	Consolidated Totals
	\$'000		\$'000
For the six-month period ended 31 December			
2022			
Finance income	–	–	–
Finance costs	(2,098)	(8)	(2,106)
Capital expenditure	2,027	89	2,116
Depreciation and amortisation	(1,690)	(89)	(1,779)
2021			
Finance income	191	–	191
Finance costs	(771)	–	(771)
Capital expenditure	901	16	917
Depreciation and amortisation	(1,824)	25	(1,799)

Geographical information

External customers of the Group are located in the Russian Federation. The Group carries out its operations in the Russian Federation and all the Group's non-current assets are located in the Russian Federation.

Major customers

The following are major customers with revenue equal to more than 10% of the Group's total revenue during the year:

	6 months ended 31 December 2022 \$'000	6 months ended 31 December 2021 \$'000	12 months ended 31 December 2022 \$'000	12 months ended 31 December 2021 \$'000
LLC Grain Service	9,519	11,013	9,519	12,001
JSC Voronezhsky Milk Combinat	5,927	4,476	10,845	9,095
LLC MEZ Yug Rusi	776	–	10,052	–
LLC TD Zerno Zavolzhia	–	2,388	–	2,388
	<u>16,222</u>	<u>17,877</u>	<u>30,416</u>	<u>23,484</u>

26 Acquisition of subsidiary

On 23 July 2021, LLC Rav Agro-Rost was acquired by the Group due to the sales of 100.00% of equity shares owned by Agro Proekt LLC for an aggregate consideration \$2,636,000. This consideration includes the purchase of a 100% stake in LLC Rav Agro -Rost for \$2,636,000 was settled in cash.

	2021 \$'000
Property, plant and equipment	3,325
Right-of use assets	420
Biological assets	1,894
Current tax assets	135
Inventories	468
Trade and other receivables	18
Loans and borrowings	(194)
Lease liabilities	(420)
Provision for liabilities	(27)
Trade and other payables	(416)
Net assets acquired	<u>5,203</u>
Total consideration transferred	<u>2,636</u>
Bargain purchase from acquisition of subsidiary	<u>2,567</u>

i) Effect on cash flows of the Group

	2021 \$'000
Cash paid	2,636
Less: cash and cash equivalents in subsidiary acquired	–
Net cash outflow from acquisition of subsidiaries	<u>2,636</u>

27 Goodwill

	\$'000
2022	
Balance at 1 January	465
Effect on movements in exchange rates	6
Balance at 31 December	471
2021	
Balance at 1 January	462
Effect on movements in exchange rates	3
Balance at 31 December	465

Impairment testing for CGUs containing Goodwill

Goodwill which was arising from the acquisition LLC Volgo-Agro has been allocated to the Group's CGU LLC Volgo-Agro.

The recoverable amount of this CGU was based on its value in use, determined by discounting the pre-tax future cash flows to be generated from the continuing use of the CGU. The estimated recoverable amount of the CGU is higher than the carrying value of the CGU. The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the industry and have been based on historical data from internal sources:

	2022	2021
	%	%
Pre-tax discount rate	15.2	15.2
Terminal value growth rate	4.0	3.5

The discount rate was a pre-tax measure estimated based on management's estimate of the segment's weighted-average cost of capital. The cash flow projections included specific estimates for five years and a terminal growth rate thereafter. The terminal growth rate was determined based on management's estimate of the long-term compound annual revenue growth rate, consistent with the assumptions that a market participant would make. Revenue growth was projected taking into account the estimated sales volume and price growth for the next five years. In 2021 and 2022, the estimated recoverable amount of the CGU exceeded its carrying amount by approximately \$2,816,000 and \$3,576,000 respectively and no impairment was recorded.

No sensitivity analysis was disclosed as the Group believes that any reasonable plausible change in the key assumption is not likely to materially cause the recoverable amount to be lower than its carrying value.

28. Revaluation of land

In 2021 and in 2022, management commissioned LLC AAR to independently appraise land as at 31 December 2021 and as at 31 December 2022 which, in accordance with the Group's accounting policy, is measured at fair value. The fair value of land was determined to be \$35,369,000 as at 31 December 2022 (31 December 2021: \$ 26,765,000) and reflects market prices in recent transactions.

Valuation

As of 31 December 2022, had the freehold land been carried at historical costs, the carrying amount would have been \$6,295,000 (31 December 2021: \$5,791,000).

The carrying amounts of the freehold properties as at 31 December 2022 and 31 December 2021 were based on independent valuations undertaken by an independent valuer, having appropriate professional qualifications and recent experience in the location and category of property being valued.

The fair value measurement for the freehold land has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

Valuation technique

The freehold land carried at valuation were valued using the comparison approach which entails analysing recent transactions and asking prices of similar properties in and around the locality for comparison purposes with adjustments made for differences in location, size, condition, tenure, title restrictions, if any and other relevant characteristics.

In 2022 the key unobservable input used in the valuation are the sales price per hectare of \$ 2,117 (2021:\$1,491) for the agricultural lands in Rostov region, the sales price per hectare of \$ 267 (2021:\$200) for the agricultural lands in Volgograd region, the sales price per hectare of \$22,613 (2021:\$16,910) for the industrial lands derived from market data from an active and transparent market. The estimated fair value will increase when the sale price increases.

There were no transfers between the levels in the fair value hierarchy.

The following table shows a reconciliation for Level 3 fair values.

	Land 2022 \$'000	Land 2021 \$'000
At 1 January	26,765	4,025
Additions	507	548
Addition of subsidiary	–	1,207
Disposals/Write-off	(31)	–
Revaluation	8,807	21,219
Effect of movement in exchange rates	(679)	(234)
At 31 December	<u>35,369</u>	<u>26,765</u>

29. Subsequent events

There are no known subsequent events which have led to adjustments to this set of interim financial statements.

30. Other information required by Catalyst Rule Appendix 7C

30.1 Review

The condensed consolidated statement of financial position of Don Agro International Limited and its subsidiaries as at 31 December 2022 and the related condensed consolidated profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period and full year then ended and certain explanatory notes have not been audited or reviewed.

The Group's latest financial statements for the year ended 31 December 2021 were not subject to an adverse opinion, qualified opinion or disclaimer of opinion.

30.2 Review of performance of the Group

Consolidated Statement of Profit/Loss and Other Comprehensive Income

Revenue

The revenue for the financial year ended 31 December 2022 ("FY2022") increased by approximately \$7.0 million or 22.6%, from \$31.0 million for the financial year ended 31 December 2021 ("FY2021") to \$38.0 million in FY2022. The increase is attributable to:

- i) increase in the revenue from sale of crops of approximately \$4.0 million due to higher volume in sale of sunflower harvested in FY2021 which was partly offset by a decrease in revenue from sale of winter wheat due to a significant portion of harvested crops not sold within the financial year in anticipation of higher prices in the next financial year; and
- ii) increase in the revenue from sales of milk and livestock of approximately \$3.0 million due to an increase in the price of milk.

Cost of sales

The cost of sales increased by approximately \$8.0 million or 27.7% from approximately \$29.0 million in FY2021 to approximately \$37.0 million in FY2022. The increase in the cost of sales is mainly attributable to:

- i) higher volume in sale of sunflower harvested in FY2021 and sold in FY2022;
- ii) significant increase in price of seeds, fertilizers and spare parts in March 2022; and
- iii) significant increase in a crop yield, resulting in more manpower and agriculture machinery and equipment needed.

The above listed factors had the following impact: (i) an increase in biological assets sold of approximately \$4.4 million, (ii) an increase in wages and salaries of approximately \$1.5 million due to increase in the productivity wages per person in line with the higher crop yield in FY2022 and (iii) an increase in growing and harvesting costs of approximately \$0.5 million due to higher volume of agricultural produce harvested.

Other reasons of higher cost of sales include (i) an increase in depreciation of \$0.8 million, due to additions of the harvesters, the tractors and another agricultural equipment and (ii) other costs of approximately \$0.4 million as a result of increase in repair costs due to the increase in price of spare parts.

Gain/ (loss) from change in fair value of biological assets and agricultural produce

The gain from change in fair value of biological assets and agricultural produce decreased by approximately \$8.2 million or 82.8% from a gain from change in fair value of approximately \$9.9 million in FY2021 to a gain from change in fair value of approximately \$1.7 million in FY2022. The decrease is mainly attributable to an decrease in the gain from change in fair value of crops in FY2022 of approximately \$11.2 million due to i) a decrease in the prices of agricultural produce due to a peak harvest in Russian Federation and ii) a decrease in winter wheat's harvest area for next year's harvest due to unfavourable weather conditions, which was partly offset by the increase in the gain from change in fair value of livestock in FY2022 of approximately \$3.0 million, mainly due to i) the increase in milk price, ii) increase in a length of lactation period and iii) decrease in feed costs due to decrease in prices of agricultural produce.

Gross profit and gross profit margin

	FY2022	FY2021	Change (%)
Gross profit (\$'000)	2,539	11,875	(78.6)
Gross profit margin (%)	6.7	38.4	(31.7)

The gross profit decreased by approximately \$9.4 million from approximately \$11.9 million in FY2021 to approximately \$2.5 million in FY2022. The decrease is mainly attributable to

- i) increase in cost of sales of approximately \$8 million mainly due to i) an increase in sales volume of sunflower harvested in FY2021 and ii) increase in inventory's prices; higher manpower costs, depreciation costs and repair costs; and
- ii) Significant decrease in the gain from change in fair value of biological assets and agricultural produce of approximately \$8.2 million.

The decrease was partially offset by:

- i) increase in the revenue from sale of crops of approximately \$4.0 million, due to higher volume in sale of sunflower harvested in FY2021 which was partly offset by a decrease in revenue from sale of winter wheat due to significant portion of harvested crops not sold within the financial year in anticipation of higher prices in the next financial year; and
- ii) increase in revenue from livestock and milk sales by approximately \$3.0 million due to increase in milk's price.

Bargain purchase from acquisition of subsidiary

The bargain purchase from acquisition of subsidiary decreased by \$2.6 million or 100% in FY2022 due to the acquisition of subsidiary LLC Rav Agro-Rost in FY2021. For details, please refer to note 26.

Other operating expenses, net

Other operating expenses, net decreased by approximately \$0.3 million or 101.4% from other operating income of approximately \$0.3 million to other operating cost of approximately \$4,000. The decrease is mainly attributable to a decrease of approximately \$0.4 million due to VAT reinstatement after obtaining regional subsidies for cost reimbursement and write-of other non-refundable VAT which was partly offset by the increase in government grants received of approximately \$0.2 million due to increase support for agricultural producers from the Ministry of Agriculture.

Finance cost, net

Finance cost /income, net increased by \$0.1 million or 12.6% from finance cost of approximately \$0.8 million in FY2021 to finance costs of approximately \$0.9 million in FY2022. The increase is mainly attributable to increase in interest costs of approximately \$0.4 million in March-April 2022 on the back of higher interest rates. This increase was partly offset by the increase in compensation grant for finance cost received from the government of approximately \$0.3 million.

Consolidated Statement of Financial Position

Non-current assets

Property, plant and equipment

Property, plant and equipment increased significantly in FY2022 by \$9.7 million mainly due to i) additions of the harvesters, the tractors and another agricultural equipment of approximately \$4.4 million and ii) revaluation of land plots of approximately \$8.8 million, which is offset by i) depreciation of approximately \$2.8 million and ii) loss on movements in exchange rate amounting to approximately S\$0.6 million.

Biological assets

Non-current biological assets comprised mainly livestock and permanent grasses. Non-current biological assets increased by approximately \$3.2 million as at 31 December 2022 mainly due to the increase in fair value of livestock due to an increase in milk price and length of lactation period.

Right-of-use assets

Right-of-use assets decreased by approximately \$1.5 million or 25.0% from approximately \$6.0 million as at 31 December 2021 to approximately \$4.5 million as at 31 December 2022. The decrease is mainly due to decrease in agricultural produce prices and the decrease in depreciation of right-of-use assets.

Current assets

Biological assets

Current biological assets comprised mainly unharvested crops. Current biological assets decreased by approximately \$1.0 million in FY2022 due to i) a decrease in the prices of agricultural produce due to a peak harvest in Russian Federation and ii) a decrease in winter wheat's harvest area due to unfavourable weather conditions.

Inventories

The Group's inventories increased by approximately \$2.8 million or 16.0% from approximately \$17.5 million as at 31 December 2021 to approximately \$20.3 million as at 31 December 2022, due to increase in the agricultural produce in anticipation of better selling price in the next financial year onwards.

Trade and other receivables

Trade and other receivables comprised mainly trade receivables from external parties, advances paid to suppliers, tax receivable and prepaid listing expenses. Trade and other receivables decreased by approximately \$0.5 million or 14.7% from approximately \$3.4 million as at 31 December 2021 to approximately \$2.9 million as at 31 December 2022. This was mainly due to a decrease in advances made to suppliers, as a result of settlement with suppliers, which was partly offset by the increase in VAT receivables as a result of the settlement with tax authorities and expectation VAT refund in FY2023.

Cash and cash equivalents

Cash and cash equivalents comprise petty cash, bank balances and short-term bank deposits. Cash and cash equivalents decreased by approximately \$3.6 million or 52.9% from approximately \$6.8 million as at 31 December 2021 to approximately \$3.2 million as at 31 December 2022. Please refer the section entitled "Consolidated Statement of Cash Flows" below for further information.

Non-current liabilities and Current liabilities

Loans and borrowings

The borrowings mainly relate to the amount borrowed by our Group from banks and loans from third parties.

The Group's borrowings decreased by approximately \$0.6 million or 8.8% from approximately \$6.8 million as at 31 December 2021 to approximately \$6.2 million as at 31 December 2022. This is mainly attributable to the repayments of borrowings of approximately \$11.5 million by the Group. This was partially offset by an increase in new borrowings of approximately \$10.8 million in FY2022 for acquisition of supplies and new agriculture equipment, for construction of the warehouses for the storage of the agricultural produce and for working capital financing.

Lease liabilities

The lease liabilities mainly relate to the lease arrangements for agricultural equipment and land plots. The Group's lease liabilities decreased by approximately \$1.0 million from approximately \$6.5 million as at 31 December 2021 to approximately \$5.5 million as at 31 December 2022. This is attributable to the decrease in agricultural produce prices.

Deferred tax liabilities

Deferred tax liabilities mainly relate to deferred tax from revaluation of the land. Deferred tax liabilities increased by approximately \$1.6 million from approximately \$4.2 million as at 31 December 2021 to approximately \$5.8 million as at 31 December 2022 due to increase of revaluation the free-hold land.

Trade and other payables

Trade and other payables comprised advances received from customers, taxes payables other than on income tax, accrued payables to employees and dividends payable.

The trade and other payables increased by approximately \$3.7 million or 127.6% from approximately \$2.9 million as at 31 December 2021 to approximately \$6.6 million as at 31 December 2022. The increase is mainly attributable to an increase in advances received from customers of approximately \$3.9 million for agricultural produce.

Consolidated Statement of Cash Flows

Net cash flows from operating activities

Cash flows from operating activities of \$1.5 million in FY2022 was mainly due to (i) a gain from change in fair value of biological assets and agricultural produce amounting to \$1.7 million, (ii) the revaluation of agricultural produce of \$7.2 million due to sales of agricultural produce in FY2022, including the sunflower harvested in FY2021 and (iii) changes in working capital.

Net cash flows used in investing activities

Cash flows used in investing activities of \$3.9 million was mainly due to (i) proceeds from sale of property, plant and equipment \$0.2 million, (ii) proceeds from interest received of \$0.3 million and (iii) outflow from purchase of property, plant and equipment of \$4.4 million.

Net cash flows used in financing activities

Net cash used in financing activities amounted to approximately \$1.7 million, which was mainly attributable to (i) repayment of borrowings of approximately \$11.5 million in relation to the bank loans, (ii) interest paid of approximately \$0.6 million, (iii) repayment of finance lease of approximately \$0.3 million and (iv) proceeds from borrowings of approximately \$10.7 million.

As a result of the above, cash and cash equivalents decreased by approximately \$3.6 million during FY2022. Cash and cash equivalents as at 31 December 2022 amounted to \$3.2 million.

30.3 Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

As stated in the Company's results announcement for the six months ended 30 June 2022, the Group expected a slight decrease in the Group's margin as compared to previous financial years as the world prices of agricultural produce was expected to decrease due to favourable weather conditions, resulting in the increase of production of winter wheat both in the world and Russian Federation.

Actual prices for crops were slightly lower than expected due to the record harvest in Russia and difficulties with export logistics as a result of geopolitical tensions. At the same time, prices for chemicals, spare parts, seeds, fertilizers increased significantly. These factors adversely affected margin and financial result of the Company.

Pursuant to the Company's profit warning announcement dated 17 February 2023, there is no variation between the latter's guidance and the actual results presented in this announcement.

30.4 A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

Ongoing geopolitical tensions with Ukraine have resulted in sanctions introduced by the United States of America, the European Union and some other countries. Sanctions and counter measures have increased the level of economic uncertainty in the Russian business environment.

In FY2022, Russia collected the largest ever harvest of wheat, it was a historical record. Record harvest combined with logistic challenges due to the geopolitical tensions and stronger Russian rouble resulted in lower prices for agricultural products within Russia. Export volumes started to recover and grow only in the end of 2022, thus export volume for 2023 is expected to be higher. Lower acreage of winter wheat sown due to continuous rains in autumn 2022 in some regions of Russia will not allow to receive such a significant harvest in 2023.

Management expects that these factors combined with a significantly lower acreage of winter wheat sown in Ukraine and gradual decrease of Russian rouble will support prices in 2023. Furthermore, an expected decrease in prices for natural gas will reduce the price of fertilizers which would lead to improvement of margin.

The Group also expects a slight increase in average milk prices and feed costs as a result of possible increase in agricultural product prices. The Group expects a slight increase in the margin in dairy segment in FY2023 due to the slowdown in the growth of inflation and renewal of logistic chains.

30.5 Dividend information

There is no final dividend declared or recommended for FY2022 as the Group plans to conserve cash for its working capital requirements and future expansion plan.

There was no final dividend declared or recommended for FY2021.

30.6 Interested person transactions

The Group has not obtained a general mandate from shareholders for recurrent interested person transactions.

As at 31 December 2022 and 31 December 2021, the Group received a number of guarantees from a related party-Chief Executive Officer and Executive Director in connection with certain bank loans obtained by the Group in the amount of \$6.2 million and \$6.8 million, respectively.

As no compensation, fees or other benefits have been paid or are payable by our Group to Marat Devlet-Kildejev for the provision of the sureties, our Directors are of the view that such sureties provided were not on an arm's length basis and not on normal commercial terms, but were not prejudicial to the interest of our Group and our minority Shareholders.

Please refer to pages 170 to 172 of the Company's Offer Document for further details.

30.7 In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the operating segments.

Please refer to Paragraph 30.2 for the review of performance of the Group.

30.8. Breakdown of Group's revenue and profit/ (loss) after tax for first half year and second half year.

	FY2022	FY2021	Increase/ (Decrease)
	\$'000	\$'000	%
(a) Revenue reported for first half year	18,059	9,427	91.6
(b) Profit after tax before deducting non-controlling interests reported for first half year	3,834	4,767	(19.6)
(c) Revenue reported for second half year	19,877	21,517	(7.6)
(d) Loss (profit) after tax before deducting non-controlling interest reported for second half	(5,802)	5,565	(204.2)

30.9. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year

	FY2022	FY2021
	\$'000	\$'000
Ordinary shares (tax exempt 1- tier) - Interim	-	1,280
Total Annual Dividend	-	1,280

30.10 Confirmation that the issuer has procured undertaking from all its directors and executive officers (in the format set out in Appendix 7H) under Catalist Rule 720(1)

The Company has received undertaking from all its directors and executive officers in the format as set out in Appendix 7H under Catalist Rule 720(1) of the Listing Manual of the SGX-ST.

30.11 Disclosure of acquisition (including incorporations) and sale of shares under Catalist Rule 706A

The Company did not acquire or dispose of any shares in FY2022 which would require disclosure under Catalist Rule 706A.

30.12. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(10) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.

Pursuant to Rule 704(10) of the Listing Manual, Don Agro International Limited confirms that there are no persons occupying a managerial position in the Company or in any of its principal subsidiaries who is a relative of a director, chief executive officer or substantial shareholder of the Company.

BY ORDER OF THE BOARD

Marat Devlet-Kildejev

Chief Executive Officer and Executive Director

1 March 2023

This announcement has been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "Exchange") and the Exchange assumes no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this document.

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