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PVM mokėtojo kodas LT108784411
Juridinių asmenų registras

Code of legal entity 110878442
VAT payer code LT108784411
Register of Legal Entities

INDEPENDENT AUDITOR'S REPORT

To the shareholders of AB Akola Group

Report on the Audit of the Company's and Consolidated Financial Statements

Opinion

We have audited the separate financial statements of **AB Akola Group** (hereinafter the Company), and the consolidated financial statements of **AB Akola Group** and its subsidiaries (hereinafter the Group) contained in the file abakolagroup-2024-06-30-en.zip (SHA-256-checksum: 69d8bf97fc557719bcd113c482880eaeb743f5127611fc821a0fe87abc2744), which comprise the statements of financial position as of 30 June 2024, the statements of profit (loss) and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company and the Group as at 30 June 2024 and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities (regulation (EU) No 537/2014 of the European Parliament and of the Council). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the requirements of the Law on Audit of the financial statements and other assurance services of the Republic of Lithuania that are relevant to the audit in the Republic of Lithuania, and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit of the financial statements and other assurance services of the Republic of Lithuania and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matters

1. Valuation of biological assets of the Group

The carrying value of the Group's biological assets as at 30 June 2024 was EUR 48.5 million and the gain from change in fair value of biological assets recognized in the financial year ended 30 June 2024 amounted to EUR 3.7 million.

The Group's biological assets include animals and livestock, poultry, and crops.

Animals and livestock are accounted for at fair value less costs to sell. The fair value of milking cows is measured using discounted cash flows method (level 3). Other livestock is measured at comparable market prices (level 2).

Poultry (hatching chicken and meat broilers) is accounted for at fair value less costs to sell. The fair value of poultry is measured based on future value of chickens/meat broilers/eggs less costs to maintain (level 3).

Crops are accounted for at fair value less costs to sell. The fair value of crops is measured at comparable market prices based on expected yield (level 3).

During year 2023 / 2024 the Group has identified and corrected a prior year accounting error related to valuation of biological assets as disclosed in Note 2.22

This matter is significant to our audit due to materiality of the amounts and high level of management judgment involved in determining the fair value of biological assets as well as material prior year accounting error identified and corrected by the Group.

How the matter was addressed in the audit

We gained an understanding of management's procedures in relation to the valuation of biological assets. We obtained valuation models of animals and livestock, poultry, and crops of the Group and reviewed the appropriateness of valuation models used by the management for each type of biological assets, tested the clerical accuracy of calculations and tested inputs used by the management of the Group.

For assessment of fair value of animals and livestock we have reviewed and compared management forecasts in milking cows' valuation with historical information as well as supporting evidence on expected milk prices and milk yield. We have also involved a valuation specialist to assist us with the assessment of the discount rates used by the management in the discounted cash flows model. For valuation of other livestock we have traced input data to independent market information and tested the key assumptions used for calculating the fair value of livestock.

For valuation of hatching chickens we have compared management prices for incubation eggs with publicly available information and the average number of hatching eggs produced per hatching chicken in the lifetime with historical information of the Group.

For assessment of fair value of meat broilers we have reviewed and compared management inputs on 1 day-old chicken and broiler meat prices with market information.

For an assessment of fair value of crops we have reviewed the expected crops yields and compared with historical and subsequent information on actual yields as well as traced the expected sales price with market data.

We have reviewed the correction of error of the previous period as disclosed in Note 2.22 related to the assessment of fair value of beets and sugar beets. We have reviewed and compared current year and remeasured last year management inputs on market prices with market information.

We also read and assessed the adequacy of the disclosure made in Notes 2.20 and 9 of the financial statements for biological assets fair value assessment including the sensitivity of the value to changes in key valuation inputs.

Key audit matters

How the matter was addressed in the audit

2. Valuation of allowance of trade accounts receivable

As at 30 June 2024 the Group had current and non-current trade accounts receivable balances amounting respectively to EUR 298.2 million and EUR 8.5 million reported in the statement of financial position. Part of current trade accounts receivable was overdue as disclosed in Note 12 of the financial statements.

The determination as to whether a trade receivable is collectable involves management judgment. Specific factors management considers include the age of the balance, location of customers, existence of collateral, data on subsequent collections, recent historical payment patterns, as well as forward looking estimates (expected inflation rate, GDP or etc.).

This matter is significant to our audit due to materiality of the amounts as these receivables constitute 35% of the total assets of the Group in the statement of financial position as at 30 June 2024 and high level of management judgment involved in allowance calculation.

Among other procedures, we reviewed whether the existing accounting policy for the estimation of impairment of trade accounts receivable is in accordance with IFRS 9 "Financial instruments".

We reviewed the management's assumptions used in the impairment assessment of trade accounts receivable, including the historical default rate information used, by agreeing on a sample basis information used by the management with the supporting evidence. We also considered forward-looking information used in allowance estimation by comparing the management's estimate with the publicly available reputable sources of information (e.g. Bank of Lithuania).

Additionally, we tested the correctness of aging of the receivables data by obtaining sale documents for a selected sample and comparing that with the information included in the ageing report. In addition, we reviewed clerical accuracy of the calculation of allowance recorded for the customer groups based on their ageing.

Furthermore, we have reviewed the appropriateness of classification of receivables as current and non-current and assessed the adequacy of the disclosure in the financial statements on this matter (Note 8 and 12).

3. Valuation of inventory allowance

Inventories of the Group amount to EUR 222.8 million in the statement of financial position as at 30 June 2024.

It is a material balance for the Group and requires management judgment in assessing if its book value is not higher than the net realizable value at year-end. The main factors incorporated in management assessment of inventories net realizable value include ageing of inventories, subsequent sales prices, signed contracts to sell, market prices. There is also management judgment required in determining the inventory obsolescence allowance.

This matter is significant to our audit due to materiality of inventories that constitute 25% of the total assets of the Group and management judgment applied in assessment of inventories write-down to net realizable value.

Our audit procedures included, among others, the following:

- we have gained an understanding of the process (including assumptions and methods) through which management perform their assessment of inventory write down to net realizable value,
- we have tested the subsequent sales of inventory to identify items sold below their cost as at 30 June 2024 comparing the actual results with the management's estimate,
- for items not sold during the subsequent period we have tested expected realization prices,
- we have tested the inventory ageing reports by obtaining purchase documents for the selected items and comparing that with the information included in the ageing reports,
- we have recalculated the inventory allowance for clerical accuracy.

Finally, we have assessed the adequacy of the Group's disclosures included in Note 2.20 and Note 10 of the financial statements.

Other matter

The financial statements of the Company and the Group for the year ended June 30, 2023, were audited by another auditor who expressed an unmodified opinion on those statements on October 6, 2023.

Other information

Other information consists of the information included in the Consolidated Group's Annual Report, including Corporate Governance Report, Remuneration Report and Corporate Social Responsibility Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information presentation.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, except as indicated below.

In connection to our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

We also have to evaluate, if the financial information included in the Consolidated Group's Annual Report, including Corporate Governance Report and Remuneration Report, corresponds to the financial statements for the same financial year and if the Consolidated Group's Annual Report, including Corporate Governance Report and Remuneration Report, was prepared in accordance with the relevant legal requirements. In our opinion, based on the work performed in the course of the audit of financial statements, in all material respects:

- ▶ The financial information included in the Consolidated Group's Annual Report, including Corporate Governance Report and Remuneration Report, corresponds to the financial information included in the financial statements for the same year; and
- ▶ Consolidated Group's Annual Report, including Corporate Governance Report and Remuneration Report, was prepared in accordance with the requirements of the Law on Consolidated Reporting by Groups of Undertakings of the Republic of Lithuania and the Law on Reporting by Undertakings of the Republic of Lithuania.

We also need to check that the Corporate Social Responsibility Report has been provided. If we identify that Corporate Social Responsibility Report has not been provided, we are required to report that fact. We have nothing to report in this regard.

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

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

In preparing the financial statements, management is responsible for assessing the Company's and 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 Company and/or the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

- ▶ Identify and assess the risks of material misstatement of the 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 Company's and Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and/or 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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and/or the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

- a) *Other requirements of the auditor's report in accordance with Regulation (EU) No 537/2014 of the European Parliament and of the Council.*

Appointment and approval of the auditor

In accordance with the decision made by the General Meeting of Shareholders of the Company we have been chosen to carry out the audit of Company's financial statements and Group's consolidated financial statements the first time on 27 October 2023.

Consistency with the audit report submitted to the audit committee

We confirm that our opinion in the section 'Opinion' is consistent with the additional Audit report which we have submitted to the Company, the Group and the Audit Committee.

Non audit services

We confirm that to the best of our knowledge and belief, services provided to the Company and the Group are consistent with the requirements of the law and regulations and do not comprise non-audit services referred to in the Article 5(1) of the Regulation (EU) No 537/2014 of the European Parliament and of the Council.

Throughout our audit engagement period, except for the audit and non-audit services described in Consolidated Group's Annual Report section "Key Data about the Company and the Group", we have not provided any other services.

b) Requirements for the European Single Electronic Reporting Format

Report on the compliance of format of the financial statements with the requirements for the European Single Electronic Reporting Format

Based on our agreement we have been engaged by the management of the Company to conduct a reasonable assurance engagement for the verification of compliance with the applicable requirements of the European Single Electronic Reporting Format of separate and consolidated financial statements, including the Consolidated Group's Annual Report for the year ended 30 June 2024 (the Single Electronic Reporting Format of the separate and consolidated financial statements) contained in the file abakolagroup-2024-06-30-en.zip (SHA-256-checksum: 69d8bf97fc557719bcd113c482880eae743f5127611fc821a0fe87abc2744).

Description of a subject and applicable criteria

The Single Electronic Reporting Format of the separate and consolidated financial statements has been applied by the management of the Company to comply with the requirements of art. 3 and 4 of the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a Single Electronic Reporting Format (the ESEF Regulation). The applicable requirements regarding the Single Electronic Reporting Format of the consolidated financial statements are contained in the ESEF Regulation.

The requirements described in the preceding paragraph determine the basis for application of the Single Electronic Reporting Format of the separate and consolidated financial statements and, in our view, these requirements constitute appropriate criteria to form a reasonable assurance conclusion.

Responsibilities of management and those charged with governance

The management is responsible for the application of the Single Electronic Reporting Format of the separate and consolidated financial statements that complies with the requirements of the ESEF Regulation.

This responsibility includes the selection and application of appropriate markups in iXBRL using ESEF taxonomy and designing, implementing and maintaining internal controls relevant for the preparation of the Single Electronic Reporting Format of the separate and consolidated financial statements which is free from material non-compliance with the requirements of the ESEF Regulation.

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

Auditor's responsibility

Our responsibility is to express a reasonable assurance conclusion whether the Single Electronic Reporting Format of the separate and consolidated financial statements complies with the ESEF Regulation.

We conducted our engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) 'Assurance Engagements other than Audits and Reviews of Historical Financial Information' (the ISAE 3000 (R)). This standard requires that we comply with ethical requirements, plan and perform procedures to obtain reasonable assurance whether the Single Electronic Reporting Format of the separate and consolidated financial statements is prepared, in all material aspects, in accordance with the applicable requirements. Reasonable assurance is a high level of assurance, but it does not guarantee that the service performed in accordance ISAE 3000 (R) will always detect a material misstatement when it exists.

We apply International Standard on Quality Management 1 (ISQM 1), and accordingly, we maintain a robust system of quality control, including policies and procedures documenting compliance with relevant ethical and professional standards and requirements in law or regulation.

Summary of the work performed

Our planned and performed procedures were aimed at obtaining reasonable assurance that the Single Electronic Reporting Format of the separate and consolidated financial statements was applied, in all material aspects, in accordance with the applicable requirements and such application is free from material errors or omissions.

Our procedures include in particular:

- ▶ obtaining an understanding of the internal control system and processes relevant to the application of the Single Electronic Reporting Format of the separate and consolidated financial statements, including the preparation of the XHTML format and marking up the consolidated financial statements;
- ▶ verification whether the XHTML format was applied properly;
- ▶ evaluating the completeness of marking up the consolidated financial statements using the iXBRL markup language according to the requirements of the implementation of the Single Electronic Reporting Format as described in the ESEF Regulation;
- ▶ evaluating the appropriateness of the Group's use of iXBRL markups selected from the ESEF taxonomy and the creation of extension markups where no suitable element in the ESEF taxonomy has been identified; and
- ▶ evaluating the appropriateness of anchoring of the extension elements to the ESEF taxonomy.

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

Opinion

In our opinion, the Single Electronic Reporting Format of the separate and consolidated financial statements for the year ended 30 June 2024 complies, in all material respects, with the ESEF Regulation.

The partner in charge of the audit resulting in this independent auditor's report is Kęstutis Juozaitis.

UAB ERNST & YOUNG BALTIC
Audit company's licence No. 001335

Kęstutis Juozaitis
Auditor's licence
No. 000550

9 October 2024