

# **“BAKU METROPOLITAN” CLOSED JOINT-STOCK COMPANY**

Financial Statements and  
Independent Auditor’s Report  
for the year ended 31 December 2021

## **“BAKU METROPOLITAN” CLOSED JOINT-STOCK COMPANY**

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**STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

Management is responsible for the preparation of the financial statements that present fairly, in all material respects, the financial position of "Baku Metropolitan" Closed Joint-Stock Company (the "Company") as at 31 December 2021, statements of profit or loss and other comprehensive income for the year then ended, statement of changes in equity and statement of cash flows for the years then ended, and of material accounting policy information and notes to the financial statements in compliance with the International Financial Reporting Standards ("IFRS").

In preparing the financial statements, Management is responsible for:

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

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls throughout the Company;
- Maintaining adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time financial position of the Company, and which enable them to ensure that the financial statements of the Company comply with IFRS;
- Maintaining statutory accounting records in compliance with local legislation and accounting standards;
- Taking such steps as are reasonably available to them to safeguard the assets of the Company; and
- Preventing and detecting fraud and other irregularities.

The financial statements for the year ended 31 December 2021 were authorised for issue by Management on 15 May 2025.

On behalf of Management:

Mr. Vurali Amirov  
Chairman

Baku, the Republic of Azerbaijan  
15 May 2025



MC Asef Isgandarli  
Head of Finance Department

Baku, the Republic of Azerbaijan  
15 May 2025

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders and the Board of Directors of "Baku Metropolitan" Closed Joint-Stock Company

### Qualified Opinion

We have audited the financial statements of "Baku Metropolitan" Closed Joint-Stock Company (the "Company"), which comprise the statement of financial position as at 31 December 2021, and the statements of profit or loss and other comprehensive income, statement of cash flows and statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards ("IFRSs").

### Basis for Qualified Opinion

#### ***Existence of inventories and property and plant***

We were appointed as auditors of the Company on 16 September 2022 and thus did not participate in counting of the physical inventories and observation of property and equipment at the beginning and at the end of 2021. We were unable to satisfy ourselves by alternative means concerning inventory quantities amounting to AZN 71,690 thousand and existence of property and equipment amounting to AZN 26,192 thousand at 31 December 2021 (1 January 2021: AZN 72,492 thousand and AZN 30,648 thousand). Since opening and closing balances of these assets enter into the determination of the financial performance and cash flows, we were unable to determine whether adjustments might have been necessary in respect of loss for the year reported in the statement of profit or loss and other comprehensive income and the net cash flows reported in the statement of cash flows, as well as accumulated loss and respective notes to the financial statements.

#### ***Valuation of property and equipment***

As part of impairment testing, we noted that the estimation of fair value less costs of disposal for some items of property and equipment were based on historical purchase prices and documents were not maintained for the items purchased before 2018 with a total carrying value of AZN 107,784 thousand and estimated fair value less costs of disposal of AZN 28,304 thousand as at 31 December 2021. We also noted that for some items of property and equipment, fair value less costs of disposal could not be determined and was assumed to be equivalent to their net book value of AZN 10,814 thousand at 31 December 2021. We were unable to satisfy ourselves through alternative procedures to obtain sufficient appropriate audit evidence about the valuation of these assets.

### ***Classification of inventories***

We noted that some items included in inventories represent materials and parts that are expected to be capitalised on property and equipment. The Company did not perform appropriate analysis of such inventories to determine short-term and long-term classification. We were unable to satisfy ourselves by alternative means concerning their appropriate classification and therefore we were unable to determine whether adjustments might have been necessary in respect of short-term and long-term classification of inventories in the statement of financial position. Since such classification of inventories affects the classification of cash flows under operating or investing activities, we were unable to determine whether adjustments might have been necessary in respect of the statement of cash flows.

### ***Completeness of passenger transportation revenue***

To verify completeness of passenger transportation revenue, we tested General IT Controls on a revenue recording system maintained by a service organisation. We were not able to obtain sufficient and appropriate evidence to be able to conclude on effectiveness of the system. Therefore, we could not satisfy ourselves on completeness of revenue of AZN 26,154 thousand for the year ended 31 December 2021.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Azerbaijan and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

### **Emphasis of Matter**

We draw attention to Note 4 to the financial statements which describes the restatement of corresponding figures for the year ended 31 December 2020. Our opinion is not modified in respect of this matter.

### **Material Uncertainty Related to Going Concern**

We draw attention to Note 1 of the financial statements, which describes influence of the Government on operations of the Company. These events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as going concern. Our opinion is not modified in respect of this matter.

### **Other Matter**

The financial statements of the Company for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those statements on 25 June 2021.

## **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 the IFRSs, 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 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 or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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 scepticism 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 expressing an opinion on the effectiveness of the Company'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 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 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.

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.

DELOITTE + TOUCHE LLAC

15 May 2025



**“BAKU METROPOLITAN” CLOSED JOINT-STOCK COMPANY**

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2021  
(in thousands of Azerbaijani Manats)**

	Notes	Year ended 31 December 2021	Year ended 31 December 2020 (Restated) <sup>1</sup>
Revenue from government subsidy	5	58,218	67,679
Revenue from passenger transportation		26,154	21,623
Other operating income	6	3,274	3,534
<b>Total revenue</b>		<b>87,646</b>	<b>92,836</b>
<b>Expenses</b>			
Impairment of fixed assets	10	(93,564)	(125,291)
Staff cost	7	(47,323)	(47,143)
Depreciation and amortisation	10	(11,251)	(10,499)
Electricity expenses		(7,154)	(6,628)
Material expenses		(6,296)	(5,154)
Water expenses		(4,116)	(4,156)
Cleaning expenses		(2,761)	(2,117)
Commission expenses		(1,308)	(1,081)
Fuel expenses		(732)	(680)
Insurance expenses		(620)	(810)
Other expenses	8	(4,108)	(3,641)
<b>Total operating expenses</b>		<b>(179,233)</b>	<b>(207,200)</b>
<b>Operating loss</b>		<b>(91,587)</b>	<b>(114,364)</b>
Finance cost		(470)	(454)
Foreign exchange gain/(loss), net		(1,653)	935
<b>Loss before income tax</b>		<b>(93,710)</b>	<b>(113,883)</b>
Income tax expense	9	-	-
<b>Net loss for the year</b>		<b>(93,710)</b>	<b>(113,883)</b>
<b>Other comprehensive income:</b>			
Revaluation gain		87,150	-
<b>Total comprehensive loss for the year</b>		<b>(6,560)</b>	<b>(113,883)</b>

<sup>1</sup> Certain amounts shown here do not correspond to the 2020 financial statements and reflect restatements made as detailed in Note 4.

The accompanying notes are an integral part of these financial statements.

**“BAKU METROPOLITAN” CLOSED JOINT-STOCK COMPANY**

**STATEMENT OF FINANCIAL POSITION**

**AS AT 31 DECEMBER 2021**

*(in thousands of Azerbaijani Manats)*

	Notes	31 December 2021	31 December 2020 (Restated) <sup>1</sup>	1 January 2020 (Restated) <sup>1</sup>
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property and equipment	10	302,819	201,693	192,466
Intangible assets		2,199	1,762	1,616
Other long-term assets		-	2,156	10,338
<b>Total non-current assets</b>		<b>305,018</b>	<b>205,611</b>	<b>204,420</b>
<b>Current assets</b>				
Inventories	11	71,690	72,492	48,170
Cash and cash equivalents	12	958	4,706	825
Trade and other receivables		920	706	1,814
Other current assets	13	3,858	10,394	9,320
<b>Total current assets</b>		<b>77,426</b>	<b>88,298</b>	<b>60,129</b>
<b>Total assets</b>		<b>382,444</b>	<b>293,909</b>	<b>264,549</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Charter capital	14	1,770,951	1,770,951	1,770,951
Additional paid-in capital	14	1,347,842	1,248,656	1,108,458
Accumulated deficit		(2,847,879)	(2,754,169)	(2,640,286)
Properties revaluation reserve	10	87,150	-	-
<b>Total equity</b>		<b>358,064</b>	<b>265,438</b>	<b>239,123</b>
<b>Non-current liabilities</b>				
Provisions, non-current	16	7,738	8,884	9,508
<b>Total non-current liabilities</b>		<b>7,738</b>	<b>8,884</b>	<b>9,508</b>
<b>Current liabilities</b>				
Trade and other payables	15	15,564	18,477	14,865
Provisions, current	16	1,078	1,110	1,053
<b>Total current liabilities</b>		<b>16,642</b>	<b>19,587</b>	<b>15,918</b>
<b>Total equity and liabilities</b>		<b>382,444</b>	<b>293,909</b>	<b>264,549</b>

<sup>1</sup> Certain amounts shown here do not correspond to the 2020 financial statements and reflect restatements made as detailed in Note 4.

The accompanying notes are an integral part of these financial statements.

**“BAKU METROPOLITAN” CLOSED JOINT-STOCK COMPANY**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2021  
(in thousands of Azerbaijani Manats)**

	Notes	Charter capital	Additional paid-in capital	Properties revaluation reserve	Accumulated deficit	Total equity
Balance at 1 January 2020		<u>1,770,951</u>	<u>1,108,458</u>	<u>-</u>	<u>(481,697)</u>	<u>2,397,712</u>
Total effect of restatement		-	-	-	(2,158,589)	(2,158,589)
Balance at 1 January 2020 as restated <sup>1</sup>		<u>1,770,951</u>	<u>1,108,458</u>	<u>-</u>	<u>(2,640,286)</u>	<u>239,123</u>
Loss for the year		-	-	-	(113,883)	(113,883)
Total comprehensive loss for the year		-	-	-	(113,883)	(113,883)
Increase in additional paid-in capital	14	-	140,198	-	-	140,198
Balance at 31 December 2020 as restated <sup>1</sup>		<u>1,770,951</u>	<u>1,248,656</u>	<u>-</u>	<u>(2,754,169)</u>	<u>265,438</u>
Loss for the year		-	-	-	(93,710)	(93,710)
Other comprehensive income for the year	10	-	-	87,150	-	87,150
Total comprehensive loss for the year		-	-	87,150	(93,710)	(6,560)
Increase in additional paid-in capital	14	-	99,186	-	-	99,186
Balance at 31 December 2021		<u>1,770,951</u>	<u>1,347,842</u>	<u>87,150</u>	<u>(2,847,879)</u>	<u>358,064</u>

<sup>1</sup> Certain amounts shown here do not correspond to the 2020 financial statements and reflect restatements made as detailed in Note 4.

The accompanying notes are an integral part of these financial statements.

**“BAKU METROPOLITAN” CLOSED JOINT-STOCK COMPANY**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2021  
(in thousands of Azerbaijani Manats)**

	Note	Year ended 31 December 2021	Year ended 31 December 2020 (Restated) <sup>1</sup>
Loss before income tax		(93,710)	(113,883)
<i>Adjustments for:</i>			
Depreciation and amortisation	10	11,251	10,499
Impairment of fixed assets	10	93,564	125,291
Unwinding of discount in provision	16	470	454
Foreign exchange loss / (gain), net		1,653	(935)
<b>Operating cash flow before movements in working capital</b>		<b>13,228</b>	<b>21,426</b>
<i>Net changes in working capital</i>			
Change in trade and other receivables		(215)	1,104
Change in inventories		(2,667)	(24,881)
Change in other current assets		5,419	(4,891)
Change in trade and other payables		(3,349)	8,572
Change in other long-term assets		2,156	8,182
Change in provision		(1,079)	(1,122)
<b>Cash generated by operating activities</b>		<b>13,493</b>	<b>8,390</b>
Income tax paid		-	-
<b>Net cash generated by operating activities</b>		<b>13,493</b>	<b>8,390</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of property and equipment	10	(115,696)	(144,177)
Purchase of intangible asset		(641)	(322)
<b>Net cash used in investing activities</b>		<b>(116,337)</b>	<b>(144,499)</b>
<b>FINANCING ACTIVITIES</b>			
Increase in additional paid-in-capital	14	99,186	140,198
<b>Net cash from financing activities</b>		<b>99,186</b>	<b>140,198</b>
<b>Net change in cash and bank balances</b>		<b>(3,658)</b>	<b>4,089</b>
Foreign currency effect on cash		(90)	(208)
<b>Cash and bank balances, beginning of the year</b>		<b>4,706</b>	<b>825</b>
<b>Cash and bank balances, end of the year</b>		<b>958</b>	<b>4,706</b>

<sup>1</sup> Certain amounts shown here do not correspond to the 2020 financial statements and reflect restatements made as detailed in Note 4.

Following non-cash transactions were not included in statement of cash flows for the year ended 31 December 2021 and 31 December 2020:

- Revaluation increase of AZN 87,150 recognised through other comprehensive income for land plots within property and equipment (2020: nil) (Note 10);
- Offset of tax prepayment of AZN 3,933 within other current assets against tax liabilities within trade and other payables in 2020 (2021: nil)
- Transfer of AZN 3,469 from inventories to property and equipment (2020: AZN 559).

The accompanying notes are an integral part of these financial statements.