



"KPMG Audit Azerbaijan" LLC
Port Baku South Towers,
153 Neftchilar Avenue, Baku,
AZ1010, Azerbaijan
Telephone: +994 (12) 404 8910
Fax: +994 (12) 404 8914
Internet: www.kpmg.az

Independent Auditors' Report

**To the Shareholders and Management Board of "Lu-Mun Holding" Limited
Liability Company**

Opinion

We have audited the consolidated financial statements of "Lu-Mun Holding" Limited Liability Company (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of 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 opinion.



Other Matter

The consolidated financial statements of the Group as at and for the year ended 31 December 2020 were audited by other auditors whose report dated 22 April 2022 expressed an unmodified opinion on those statements.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

The engagement partner on the audit resulting in this independent auditors' report is:



Nasiba Muradkhanova
"KPMG Audit Azerbaijan" LLC
Baku, the Republic of Azerbaijan
22 July 2022

"Lu-Mun Holding" LLC
Consolidated Statement of Financial Position

<i>In Azerbaijani Manats</i>	Note	31 December 2021	31 December 2020
Assets			
Non-current assets			
Property, plant and equipment	7	95,334,129	89,903,688
Intangible assets		115,788	123,481
Long-term biological assets	14	3,010,112	1,112,498
Prepayments	9	1,670,571	3,780,323
Loans issued	10	8,039,943	7,238,058
Deferred tax assets		193,284	222,668
Total non-current assets		108,363,827	102,380,716
Current assets			
Cash and cash equivalents	11	8,754,885	12,681,645
Trade and other receivables	12	14,090,488	13,171,456
Short-term prepayments	20	8,730,965	-
Inventories	13	6,146,190	6,462,845
Biological assets	14	5,151,895	3,038,031
Other assets		184,337	823,066
Total current assets		43,058,760	36,177,043
TOTAL ASSETS		151,422,587	138,557,759
EQUITY			
Share capital	15	113,058,000	105,520,800
Additional paid-in capital	16	25,845,403	26,910,320
Accumulated deficit		(57,492,475)	(45,793,192)
TOTAL EQUITY		81,410,928	86,637,928
LIABILITIES			
Non-current liabilities			
Long-term borrowings	17	2,256,605	972,694
Long-term loans from shareholders	18	27,923,187	39,905,222
Lease liability		563,128	789,934
Deferred revenue		901,424	1,080,048
Deferred tax liabilities		390,222	1,461
Total non-current liabilities		32,034,566	42,749,359
Current liabilities			
Trade and other payables	19	5,223,928	8,007,765
Current portion of loans from shareholders	18	20,939,753	-
Current portion of long-term and short-term borrowings	17	11,813,412	1,162,707
Total current liabilities		37,977,093	9,170,472
TOTAL LIABILITIES		70,011,659	51,919,831
TOTAL LIABILITIES AND EQUITY		151,422,587	138,557,759

Approved for issue and signed on behalf of the Management on 22 July 2022.

Rufat Tabasaranli
 Chairman of Management Board



Samir Mirzayev
 Chief Financial Officer

"Lu-Mun Holding" LLC
Consolidated Statement of Profit or Loss and Other Comprehensive Income

<i>In Azerbaijani Manats</i>	Note	2021	2020
Revenue	21	55,002,275	42,775,985
Cost of sales	22	(53,829,138)	(39,722,617)
Net change in fair value of biological assets	14	2,346,083	4,268,973
Gross profit		3,519,220	7,322,341
Other income		521,648	502,635
General and administrative expenses	1	(9,352,885)	(11,095,939)
Sales and Marketing expenses*	24	(6,046,433)	(6,554,851)
Share of associate loss	8	-	(984,657)
Loss on impairment of non-current assets		-	(16,860,893)
Other expense		-	(137,405)
Operating loss		(11,358,450)	(27,808,769)
Net finance costs	25	(4,535,831)	(3,462,030)
Loss before income tax		(15,894,281)	(31,270,799)
Income tax (expense)/ benefit		(421,095)	30,547
LOSS FOR THE YEAR		(16,315,376)	(31,240,252)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(16,315,376)	(31,240,252)

*Selling and marketing expenses for the year ended 31 December 2020 include sales commission which is recorded as a deduction from revenue in consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2021.

"Lu-Mun Holding" LLC
Consolidated Statement of Changes in Equity

<i>In Azerbaijani Manats</i>	Share Capital	Additional paid-in capital	Accumulated deficit	Total Equity
Balance at 1 January 2020	89,932,500	21,075,832	(17,815,016)	93,193,316
Net loss and total comprehensive loss for 2020	-	-	(31,240,252)	(31,240,252)
Contributions to share capital	15,588,300	-	-	15,588,300
Fair value gain on loans from shareholders at initial recognition	-	10,581,143	-	10,581,143
Reclassification between components of equity	-	(3,262,076)	3,262,076	-
Other movements*	-	(1,484,579)	-	(1,484,579)
Balance at 31 December 2020	105,520,800	26,910,320	(45,793,192)	86,637,928
Net loss and total comprehensive loss for 2021	-	-	(16,315,376)	(16,315,376)
Contributions to share capital	7,537,200	-	-	7,537,200
Fair value gain on loans from shareholders at initial recognition	-	3,867,831	-	3,867,831
Reclassification between components of equity	-	(4,616,093)	4,616,093	-
Other movements*	-	(316,655)	-	(316,655)
Balance at 31 December 2021	113,058,000	25,845,403	(57,492,475)	81,410,928

* Other movements relate to derecognition of unutilized fair value gain on the loans from the shareholders due to settlement of loans before the maturity.

"Azerbaijan Poultry Company" LLC
Consolidated Statement of Financial Position

<i>In Azerbaijani Manats</i>	2021	2020
Cash flows from operating activities		
Cash receipts from customers	59,149,022	41,374,258
Cash paid to vendors and suppliers	(66,816,836)	(39,879,018)
Cash paid to employees	(10,168,749)	(9,339,978)
Taxes and social charges paid	(3,661,845)	(3,051,934)
Net cash used in operating activities	(21,498,408)	(10,896,672)
Cash flows from investing activities		
Purchases of property, plant and equipment	(9,746,110)	(25,258,778)
Proceeds from sale of property, plant and equipment	21,943	1,008,243
Borrowings to third parties	(81,320)	(269,781)
Proceeds from interest on short-term deposit and REPO operations	9,895	27,782
Borrowings to associate	(230,000)	(1,020,000)
Other cash outflows	(21,347)	(46,970)
Restricted cash	825,722	(1,052,778)
Net cash used in investing activities	(9,221,217)	(26,612,282)
Cash flows from financing activities		
Contribution to share capital	7,537,200	15,588,300
Proceeds from shareholder borrowings	14,140,000	25,000,000
Proceeds from bank loans	18,118,552	2,392,400
Repayment of shareholder borrowings	(5,140,444)	(3,350,689)
Repayment of bank loans	(6,184,557)	(2,244,803)
Interest payments	(1,638,599)	(1,131,244)
Net cash from financing activities	26,832,152	36,253,964
Effect of exchange rate changes on cash and cash equivalents	(39,287)	(13,010)
Net decrease in cash and cash equivalents	(3,926,760)	(1,268,000)
Cash and cash equivalents at the beginning of the year	12,681,645	13,949,645
Cash and cash equivalents at the end of the year	8,754,885	12,681,645