



"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](http://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 2022, 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 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (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.



### **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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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:



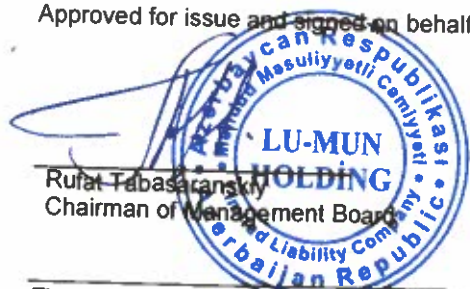
Nasiba Muradkhanova  
"KPMG Audit Azerbaijan" LLC  
Baku, the Republic of Azerbaijan  
18 May 2023

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

In Azerbaijani Manats

	Note	31 December 2022	31 December 2021
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	96,601,670	95,334,129
Intangible assets		255,758	115,788
Long-term biological assets	14	6,316,539	3,010,112
Prepayments	9	324,336	1,670,571
Loans issued	10	6,133,457	8,039,943
Deferred tax assets		213,767	193,284
<b>Total non-current assets</b>		<b>109,845,527</b>	<b>108,363,827</b>
<b>Current assets</b>			
Cash and cash equivalents	11	12,464,977	8,754,885
Trade and other receivables	12	15,525,783	14,090,488
Short-term prepayments	20	7,367,594	8,730,965
Inventories	13	6,457,019	6,146,190
Biological assets	14	5,549,539	5,151,895
Other assets		1,820,619	184,337
<b>Total current assets</b>		<b>49,185,531</b>	<b>43,058,760</b>
<b>TOTAL ASSETS</b>		<b>159,031,058</b>	<b>151,422,587</b>
<b>EQUITY</b>			
Share capital	15	113,058,000	113,058,000
Additional paid-in capital	16	34,023,382	25,845,403
Accumulated deficit		(64,840,491)	(57,492,475)
<b>TOTAL EQUITY</b>		<b>82,240,891</b>	<b>81,410,928</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long-term borrowings	17	339,778	2,256,605
Long-term loans from shareholders	18	55,848,730	27,923,187
Long-term payables		116,380	-
Lease liability		485,335	563,128
Deferred revenue		959,659	901,424
Deferred tax liabilities		434,521	390,222
<b>Total non-current liabilities</b>		<b>58,184,403</b>	<b>32,034,566</b>
<b>Current liabilities</b>			
Trade and other payables	19	6,119,582	5,223,928
Current portion of loans from shareholders	18	9,489,230	20,939,753
Current portion of long-term and short-term borrowings	17	1,840,552	11,813,412
Contract liabilities		1,156,400	-
<b>Total current liabilities</b>		<b>18,605,764</b>	<b>37,977,093</b>
<b>TOTAL LIABILITIES</b>		<b>76,790,167</b>	<b>70,011,659</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>159,031,058</b>	<b>151,422,587</b>

Approved for issue and signed on behalf of the Management on 18 May 2023.



Rufat Tabasaransky  
 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	2022	2021
Revenue	21	76,752,556	55,002,275
Cost of sales	22	(73,720,852)	(53,829,138)
Net change in fair value of biological assets	14	9,059,917	2,346,083
<b>Gross profit</b>		<b>12,091,621</b>	<b>3,519,220</b>
Other income		283,562	521,648
General and administrative expenses	23	(10,279,481)	(9,352,885)
Sales and Marketing expenses	24	(7,077,175)	(6,046,433)
Share of losses in associate		(1,885,159)	-
Other expense		(163,884)	-
<b>Operating loss</b>		<b>(7,030,516)</b>	<b>(11,358,450)</b>
Net finance costs	25	(6,468,231)	(4,535,831)
<b>Loss before income tax</b>		<b>(13,498,747)</b>	<b>(15,894,281)</b>
Income tax expense		(25,736)	(421,095)
<b>LOSS FOR THE YEAR</b>		<b>(13,524,483)</b>	<b>(16,315,376)</b>
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>		<b>(13,524,483)</b>	<b>(16,315,376)</b>

**"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
<b>Balance at 1 January 2021</b>	<b>105,520,800</b>	<b>26,910,320</b>	<b>(45,793,192)</b>	<b>86,637,928</b>
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 adjustment 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)
<b>Balance at 31 December 2021</b>	<b>113,058,000</b>	<b>25,845,403</b>	<b>(57,492,475)</b>	<b>81,410,928</b>
Net loss and total comprehensive loss for 2022	-	-	(13,524,483)	(13,524,483)
Other contributions	-	700,000	-	700,000
Fair value adjustment on loans from shareholders at initial recognition	-	13,654,446	-	13,654,446
Reclassification between components of equity	-	(6,176,467)	6,176,467	-
<b>Balance at 31 December 2022</b>	<b>113,058,000</b>	<b>34,023,382</b>	<b>(64,840,491)</b>	<b>82,240,891</b>

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



**"Lu-Mun Holding" LLC**  
**Consolidated Statement of Cash Flows**

<i>In Azerbaijani Manats</i>	Note	2022	2021
<b>Cash flows from operating activities</b>			
Cash receipts from customers		77,793,346	59,149,022
Cash paid to vendors and suppliers		(64,189,835)	(66,816,836)
Cash paid to employees		(11,718,600)	(10,168,749)
Taxes and social charges paid		(5,026,176)	(3,661,845)
<b>Net cash used in operating activities</b>		<b>(3,141,265)</b>	<b>(21,498,408)</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		(4,992,566)	(9,746,110)
Proceeds from sale of property, plant and equipment		822	21,943
Purchase of intangible assets		(156,043)	-
Borrowings to third parties		-	(81,320)
Proceeds from interest on short-term deposit and REPO operations		-	9,895
Borrowings to associate		-	(230,000)
Proceeds from loan repayment		340,000	-
Other cash outflows		(12,900)	(21,347)
Restricted cash		(5,066)	825,722
<b>Net cash used in investing activities</b>		<b>(4,825,753)</b>	<b>(9,221,217)</b>
<b>Cash flows from financing activities</b>			
Contribution to share capital		-	7,537,200
Proceeds from shareholder borrowings	16	23,953,000	14,140,000
Proceeds from bank loans		-	18,118,552
Capital contributions from shareholders other than share issues	16	700,000	-
Repayment of shareholder borrowings		-	(5,140,444)
Repayment of bank loans	17	(11,889,066)	(6,184,557)
Interest payments		(993,856)	(1,638,599)
Repayment of lease		(40,407)	-
<b>Net cash from financing activities</b>		<b>11,729,671</b>	<b>26,832,152</b>
Effect of exchange rate changes on cash and cash equivalents		(52,563)	(39,287)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>3,710,090</b>	<b>(3,926,760)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>8,754,888</b>	<b>12,681,645</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>12,464,978</b>	<b>8,754,885</b>