



СОЛИД ЮНИТИ АУДИТ ХХК
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Independent Auditors' Report

To: The Shareholders and Board of Directors
APU Joint Stock Company

Opinion

We have audited the non-statutory consolidated financial statements of APU JSC and its subsidiaries (together "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 a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying non-statutory consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of 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 the 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 Code of Ethics for Professional Accountants ("IESBA Code") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Mongolia, 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.

Key Audit Matters

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

Key Audit Matters, continued

Revenue recognition

Refer to the accounting policies in Note 5 (p) and Note 16 to the consolidated financial statements.

Area of focus	How our audit addressed the area of focus
<p>Under International Standards on Auditing there is a presumed fraud risk relating to revenue recognition. We have determined this to apply to the occurrence of the revenue because of the pressure management may feel to achieve the planned results.</p> <p>Due to these factors, we have considered revenue recognition to be a key audit matter relevant to our audit of the consolidated financial statements.</p>	<p>Our audit procedures over revenue included, among others:</p> <ul style="list-style-type: none">- We evaluated the design and implementation of control activities that address process risk of revenue recognition related to fraudulent financial reporting.- We tested selected controls management has in place over the sales and revenue recognition process, focusing on controls over the existence, accuracy and timing of revenue recognition.- We challenged the revenue recognition policies adopted by the Group by making inquiries of management and inspecting a sample of sales contracts to understand the delivery terms of the transactions so as to assess the Group's timing of revenue recognition with reference to the requirements of the prevailing accounting standards.- We assessed whether revenue was recognized in the appropriate accounting period and in accordance with the terms of the sales contracts by comparing a sample of sales transactions recorded around the year end with relevant underlying documents, which included goods dispatch notes or documentation indicating the customers' acknowledgment of delivery of the goods sold.- We performed trend analyses of the main revenue lines of the Group, we developed an expectation of the Group's revenue using quantities and prices, and we performed audit procedures over sales between the Group and its customers such as customer confirmations.- We searched for journal entries to the sales account recorded outside the regular sales process.- We assessed the disclosures in the consolidated financial statements in relation to the revenue with reference to the requirements of IFRS 15.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the non-statutory consolidated financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the non-statutory financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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.

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

Management is responsible for the preparation and fair presentation of the non-statutory 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 non-statutory 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 non-statutory 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 skepticism 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 controls.

- 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 controls.
- 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 the internal controls 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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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.

Бусад асуудлууд

Энэхүү тайлан нь Зөвхөн группийн гишүүдэд зориулагдсан ба аливаа нэгэн өөр зорилго агуулаагүй болно. Бид энэхүү тайлангийн агуулгын хүрээнд бусад этгээдийн өмнө үүрэг хариуцлага хүлээхгүй болно.



Солд Юнити Аудит ХХК
Монгол Улс, Улаанбаатар хот, 16050,
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Үндсэн Хуулийн гудамж-24,
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2022 оны 3 дугаар сарын 31-ний өдөр

Энэхүү тайлан нь аудитын тайлангийн өдөр буюу 2022 оны 3 дугаар сарын 31-ний өдрөөр хүчин төгөлдөр үйлчилнэ. Аудитын тайлангийн өдөр болон энэхүү тайланг хэрэглэх хугацааны хооронд тохиолдож болох аливаа тайлагналын үеийн дараах үйл явдал, нөхцөл байдал нь уг нэгтгэсэн санхүүгийн тайлан болон тодруулгад материаллаг нөлөө үзүүлж болох юм. Уг тайлагналын үеийн дараах үйл явдал, нөхцөл байдлын нөлөөллийг дээрх аудитын тайланд тусгаагүйг анхаарна уу.

APU Joint Stock Company and Subsidiaries
Consolidated Statement of Financial Position
As at 31 December 2021

<i>(In thousands of MNT)</i>	<i>Note</i>	31 Dec 2021	31 Dec 2020
Assets			
Property, plant and equipment	6	283,564,571	262,519,795
Intangible assets and goodwill	7	80,976,992	87,305,933
Deferred tax assets	23	1,033,880	1,252,348
Non-current assets		365,575,443	351,078,076
Inventories	8	87,714,055	83,348,435
Prepayments and prepaid expenses	9	53,774,157	17,664,409
Income tax receivable	23	148,258	-
Trade and other receivables	10, 26	32,722,572	39,013,069
Other financial investments	26	-	500,000
Cash and cash equivalents	11, 26	77,277,711	64,059,208
Current assets		251,636,753	204,585,121
Total assets		617,212,196	555,663,197
Equity			
Share capital	12	106,297	106,297
Share premium	12	338,094,870	338,094,870
Merger reserve	12	(112,795,804)	(112,795,804)
Revaluation reserve	6, 12	99,774,305	100,177,551
Foreign currency translation reserve		(43,443)	(21,285)
Retained earnings		179,766,462	129,937,425
Equity attributable to owners of the Group		504,902,687	455,499,054
Non-controlling interest	27	83,821	6,116,626
Total equity		504,986,508	461,615,680
Liabilities			
Deferred tax liabilities	23	15,978,196	18,088,647
Long-term lease liabilities	24	13,134,413	7,764,189
Employee benefits	13	816,774	656,483
Long-term borrowings	15	21,115,448	2,000,000
Non-current liabilities		51,044,831	28,509,319
Short-term lease liabilities	24	5,266,417	2,318,607
Income tax payable	23	8,145,789	2,698,028
Trade payables	14	21,964,976	11,312,407
Other payables	14	25,803,675	49,209,156
Current liabilities		61,180,857	65,538,198
Total liabilities		112,225,688	94,047,517
Total equity and liabilities		617,212,196	555,663,197

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

APU Joint Stock Company and Subsidiaries
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2021

<i>(In thousands of MNT)</i>	Note	2021	2020
Revenue	16	678,164,129	492,337,445
Cost of sales	17	<u>(343,229,879)</u>	<u>(263,409,644)</u>
Gross profit		<u>334,934,250</u>	<u>228,927,801</u>
Selling and administrative expenses	18	(138,283,363)	(112,671,108)
Impairment loss on financial assets	10, 11	(301,951)	(540,903)
Other income	19	3,760,573	2,909,656
Other expenses	20	<u>(2,216,848)</u>	<u>(2,784,954)</u>
Profit from operations		<u>197,892,661</u>	<u>115,840,492</u>
Finance income	21	520,070	850,351
Finance costs	22	<u>(3,653,295)</u>	<u>(2,248,080)</u>
Profit before income tax		<u>194,759,436</u>	<u>114,442,763</u>
Income tax expense	23	<u>(41,073,744)</u>	<u>(25,699,879)</u>
Profit for the year		<u>153,685,692</u>	<u>88,742,884</u>
Other comprehensive income:			
<i>Items that will never be reclassified to profit or loss:</i>			
Exchange rate differences on translation		(22,158)	(29,515)
Remeasurements of employee benefits		<u>(274,819)</u>	<u>-</u>
Total comprehensive income for the year		<u>153,388,715</u>	<u>88,713,369</u>
Profit/(loss) attributable to:			
Owners of the Parent Company		159,718,497	89,578,526
Non-controlling interest		<u>(6,032,805)</u>	<u>(835,642)</u>
Profit for the year		<u>153,685,692</u>	<u>88,742,884</u>
Total comprehensive income/(loss) attributable to:			
Owners of the Parent Company		159,421,520	89,549,011
Non-controlling interest		<u>(6,032,805)</u>	<u>(835,642)</u>
Total comprehensive income for the year		<u>153,388,715</u>	<u>88,713,369</u>
Earnings per share			
Basic earnings per share	32	<u>150.3</u>	<u>84.3</u>

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

APU Joint Stock Company and Subsidiaries
Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Attributable to owners of the Parent Company							Non-controlling interest (Note 27)	Total equity
	Share capital (Note 12)	Share premium (Note 12)	Merger reserve (Note 12)	Revaluation reserve (Note 6, 12)	Foreign currency translation reserve	Retained earnings	Total		
Balance at 1 January 2020	106,297	338,094,870	(112,795,804)	101,458,119	8,230	154,411,091	481,282,803	-	481,282,803
<i>Total comprehensive income:</i>									
Profit / (loss) for the year	-	-	-	-	-	89,578,526	89,578,526	(835,642)	88,742,884
Other comprehensive loss	-	-	-	-	(29,515)	-	(29,515)	-	(29,515)
<i>Transactions with owners:</i>									
Dividends declared	-	-	-	-	-	(115,332,760)	(115,332,760)	-	(115,332,760)
Establishment of subsidiary with NCI	-	-	-	-	-	-	-	6,952,268	6,952,268
Transfers to retained earnings	-	-	-	(1,280,568)	-	1,280,568	-	-	-
Balance at 31 December 2020	106,297	338,094,870	(112,795,804)	100,177,551	(21,285)	129,937,425	455,499,054	6,116,626	461,615,680
Balance at 1 January 2021	106,297	338,094,870	(112,795,804)	100,177,551	(21,285)	129,937,425	455,499,054	6,116,626	461,615,680
<i>Total comprehensive income:</i>									
Profit / (loss) for the year	-	-	-	-	-	159,718,497	159,718,497	(6,032,805)	153,685,692
Other comprehensive loss	-	-	-	-	(22,158)	(274,819)	(296,977)	-	(296,977)
<i>Transactions with owners:</i>									
Dividends declared	-	-	-	-	-	(110,017,887)	(110,017,887)	-	(110,017,887)
Transfers to retained earnings	-	-	-	(403,246)	-	403,246	-	-	-
Balance at 31 December 2021	106,297	338,094,870	(112,795,804)	99,774,305	(43,443)	179,766,462	504,902,687	83,821	504,986,508

APU Joint Stock Company and Subsidiaries
 Consolidated Statement of Cash Flows
 For the year ended 31 December 2021

(In thousands of MNT)

	<i>Note</i>	2021	2020
Cash flows from operating activities			
Profit for the year		153,685,692	88,742,884
Adjustments for:			
Income tax expense	23	41,073,744	25,699,879
Interest expense on loans	22	802,001	20,515
Interest expense on lease liabilities	22	2,092,308	2,227,565
Unwinding of the discount on employee benefit provisions	22	43,973	-
Interest income	21	(520,070)	(724,329)
Unrealised foreign exchange gain, net		(153,951)	(493,685)
Depreciation	6	36,040,278	32,266,864
Amortisation	7	7,381,218	7,126,040
Impairment loss on trade and other receivables, net	10	262,394	502,903
Impairment loss on bank balances	11	39,557	38,000
Impairment loss on slow moving and obsolete items	8	179,632	819,752
Gain on disposal of property, plant and equipment	19	(101,639)	(26,017)
Loss on write-off of property, plant and equipment	20	381,145	657,030
Loss on disposal of property, plant and equipment	20	442,603	513,377
		241,648,885	157,370,778
Changes in assets and liabilities:			
Trade and other receivables		6,027,757	96,616
Inventories		(4,560,480)	5,301,114
Prepayments		(16,134,276)	(8,315,933)
Trade payables		10,728,276	(578,781)
Other payables		(15,864,158)	13,882,086
Employee benefits		(158,501)	656,483
		221,687,503	168,412,363
Interest on loans paid	22	(802,001)	(101,153)
Interest on lease liabilities paid	24	(2,092,308)	(2,227,565)
Interest received	21	520,070	724,329
Income taxes paid	23	(37,666,608)	(22,374,963)
Net cash provided by operating activities		181,646,656	144,433,011

APU Joint Stock Company and Subsidiaries
Consolidated Statement of Cash Flows, continued
For the year ended 31 December 2021

<i>(In thousands of MNT)</i>	<u>Note</u>	<u>2021</u>	<u>2020</u>
Cash flows from investing activities			
Acquisition of property, plant and equipment		(65,083,697)	(35,288,862)
Acquisition of intangible assets	7	(1,052,277)	(1,352,848)
Proceeds from disposal of property, plant and equipment	6, 19, 20	42,250	1,027,324
Disposal / (acquisition) of other financial investments		500,000	(500,000)
Net cash used in investing activities		(65,593,724)	(36,114,386)
Cash flows from financing activities			
Dividends paid	12	(118,447,195)	(101,739,614)
Payment of lease liabilities	24	(3,438,035)	(2,137,721)
NCI portion of new capital issued by subsidiary	27	-	6,952,268
Proceeds from long-term borrowings	15	19,115,608	2,000,000
Net cash used in financing activities		(102,769,622)	(94,925,067)
Exchange difference on translating foreign operation		(8,019)	(34,207)
Net increase in cash and cash equivalents		13,275,291	13,359,351
Cash and cash equivalents at the beginning of year	11	64,059,208	50,034,921
Impairment loss on cash and cash equivalents	11	(39,557)	(38,000)
Effect of foreign exchange rate fluctuations on cash held		(17,231)	702,936
Cash and cash equivalents at the end of year	11	<u>77,277,711</u>	<u>64,059,208</u>

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