

APU JSC AND SUBSIDIARIES

Consolidated Financial Statements

For the year ended 31 December 2022

(With Independent Auditors' Report Thereon)

**Ulaanbaatar, Mongolia
2023**

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Directors' Responsibility Statement

APU JSC's Board of Directors is responsible for the preparation of the consolidated financial statements.


The consolidated financial statements of APU JSC and its subsidiaries (together "the Group") have been prepared to comply with International Financial Reporting Standards. The Group's Board of Directors are responsible for ensuring that these consolidated financial statements present fairly the state of affairs of the Group's financial position as at 31 December 2022 and the financial performance and cash flows for the year then ended on that date.

The Group's Board of Directors have responsibility for ensuring that the Group keep proper accounting records which disclose with reasonable accuracy the financial position of the Group and which enable them to ensure that the consolidated financial statements comply with the requirements set out in Note 2 to Note 5 thereto.

The Group's Board of Directors also have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Group's Board of Directors consider that, in preparing the consolidated financial statements including explanatory notes, it has used appropriate policies, consistently applied and supported by reasonable and prudent judgment and estimates, and that all applicable accounting standards have been followed.

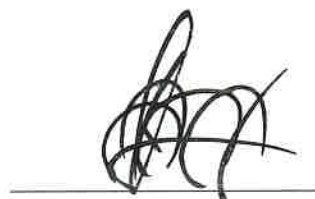
The consolidated financial statements of the Group for the year ended 31 December 2022 were authorised for issuance by the Group's Board of Directors.



P. Batsaikhan
Chairman



Ts. Erdenebileg
Chief Executive Officer



G. Enkhbileg
Chief Financial Officer

Ulaanbaatar,
Mongolia

Date: 14 April 2023



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of APU JSC (the "Parent Company") and its subsidiaries (together 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 give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Standards as issued by the International Accounting Standards Board ("IFRS Standards").

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 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 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.

Emphasis of Matter – comparative information

We draw attention to Note 2 (d) to the consolidated financial statements which describes that the Group elected to change its accounting policy for measurement after recognition of property, plant and equipment starting from 1 January 2022 and made retrospective adjustments to the comparative information in the accompanying consolidated financial statements. Consequently, the comparative information in the accompanying financial statements has been restated. Our opinion is not modified in respect of this matter

Other matter relating to comparative information

As part of our audit of the consolidated financial statements as at and for the year ended 31 December 2022, we also audited the retrospective adjustments described in Note 2 (d) and Note 33 to the consolidated financial statements that were applied to restate the comparative information. In our opinion, the retrospective adjustments described in Note 2 (d) and in Note 33 to the consolidated financial statements are appropriate and have been properly applied.

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.

Revenue recognition

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

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 analysis 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 tested of details for journal entries which met our high risk criteria.-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. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the 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 consolidated financial statements, our responsibility is to read the other information identified above when it becomes available 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. When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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 Standards, 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 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 control.

**Auditors' Responsibilities for the Audit of the Consolidated Financial Statements,
continued**

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.

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, actions taken to eliminate threats or safeguards applied

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements, continued

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.

Other Matter's

This report is for group members only and does not serve any other purpose. We assume no liability to any third party for the content of this report



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Date: 14 April 2023

This report is effective as at 14 April 2023, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any. Furthermore, this report is intended solely for the use of the shareholders of the Group. To the fullest extent permitted by law, we do not assume responsibility towards or accept liability to any other party in relation to the contents of this report.

APU Joint Stock Company and Subsidiaries
Consolidated Statement of Financial Position

As at 31 December 2022

<i>(In thousands of MNT)</i>	<i>Note</i>	31 Dec 2022	31 Dec 2021 (restated*)	1 Jan 2021 (restated*)
Assets				
Property, plant and equipment	6	415,600,484	282,877,745	261,897,450
Intangible assets and goodwill	7	74,044,933	80,976,992	87,305,933
Deferred tax assets	23	1,336,981	1,033,880	1,252,348
Non-current assets		490,982,398	364,888,617	350,455,731
Inventories	8	185,883,448	87,714,055	83,348,435
Prepayments and prepaid expenses	9	65,529,920	53,774,157	17,664,409
Income tax receivable	23	9,656,075	148,258	-
Trade and other receivables	10, 26	51,008,440	32,722,572	39,013,069
Other financial investments		-	-	500,000
Cash and cash equivalents	11, 26	38,365,107	77,277,711	64,059,208
Assets held for sale		709,036	-	-
Current assets		351,152,026	251,636,753	204,585,121
Total assets		842,134,424	616,525,370	555,040,852
Equity				
Share capital	12	106,297	106,297	106,297
Share premium	12	338,094,870	338,094,870	338,094,870
Merger reserve	12	(112,795,804)	(112,795,804)	(112,795,804)
Revaluation reserve	6, 12	156,566,882	92,842,146	93,141,856
Foreign currency translation reserve		703,518	(43,443)	(21,285)
Retained earnings		220,738,413	186,011,795	136,350,775
Equity attributable to owners of the Group		603,414,176	504,215,861	454,876,709
Non-controlling interest	27	30,163,068	83,821	6,116,626
Total equity		633,577,244	504,299,682	460,993,335

APU Joint Stock Company and Subsidiaries
Consolidated Statement of Financial Position

As at 31 December 2022

<i>(In thousands of MNT)</i>	<u>Note</u>	<u>31 Dec 2022</u>	<u>31 Dec 2021 (restated*)</u>	<u>1 Jan 2021 (restated*)</u>
Liabilities				
Deferred tax liabilities	23	25,539,734	15,978,196	18,088,647
Other payables	14, 26	2,325,831	-	-
Long-term lease liabilities	24	31,333,809	13,134,413	7,764,189
Employee benefits	13	1,380,674	816,774	656,483
Long-term borrowings	15, 26	18,333,200	21,115,448	2,000,000
Non-current liabilities		78,913,248	51,044,831	28,509,319
Short-term lease liabilities	24	10,935,008	5,266,417	2,318,607
Income tax payable	23	191,148	8,145,789	2,698,028
Trade payables	14, 26	51,632,914	21,964,976	11,365,371
Other payables	14, 26	61,718,062	25,803,675	49,156,192
Short-term loans and borrowings	15, 26	5,166,800	-	-
Current liabilities		129,643,932	61,180,857	65,538,198
Total liabilities		208,557,180	112,225,688	94,047,517
Total equity and liabilities		842,134,424	616,525,370	555,040,852

* See note 2 (d) and Note 33

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 2022

<i>(In thousands of MNT)</i>	<i>Note</i>	2022	2021 (restated*)
Revenue	16	850,239,813	678,164,129
Cost of sales	17	<u>(478,212,778)</u>	<u>(343,229,879)</u>
Gross profit		<u>372,027,035</u>	<u>334,934,250</u>
Selling and administrative expenses	18	(201,931,899)	(138,347,844)
Reversal gain/(impairment loss) on financial assets	10, 11	111,674	(301,951)
Other income	19	7,656,079	3,760,573
Other expenses	20	<u>(13,410,462)</u>	<u>(2,216,848)</u>
Profit from operations		<u>164,452,427</u>	<u>197,828,180</u>
Finance income	21	151,237	520,070
Finance costs	22	<u>(10,491,453)</u>	<u>(3,653,295)</u>
Profit before income tax		<u>154,112,211</u>	<u>194,694,955</u>
Income tax expense	23	<u>(28,214,649)</u>	<u>(41,073,744)</u>
Profit for the year		<u>125,897,562</u>	<u>153,621,211</u>
Other comprehensive income:			
<i>Items that will never be reclassified to profit or loss:</i>			
Revaluation surplus		65,809,809	-
Exchange rate differences on translation		746,961	(22,158)
Remeasurements of employee benefits		<u>(438,863)</u>	<u>(274,819)</u>
Total comprehensive income for the year		<u>192,015,469</u>	<u>153,324,234</u>
Profit/(loss) attributable to:			
Owners of the Parent Company		144,692,756	159,654,016
Non-controlling interest		<u>(18,795,194)</u>	<u>(6,032,805)</u>
Profit for the year		<u>125,897,562</u>	<u>153,621,211</u>
Total comprehensive income/(loss) attributable to:			
Owners of the Parent Company		210,810,663	159,357,039
Non-controlling interest		<u>(18,795,194)</u>	<u>(6,032,805)</u>
Total comprehensive income for the year		<u>192,015,469</u>	<u>153,324,234</u>
Earnings per share			
Basic earnings per share	32	<u>136.1</u>	<u>150.2</u>

* See note 2 (d) and Note 33

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 2022

	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
Previously reported 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
Effect of accounting policy change (Note 2 (d) and Note 33)	-	-	-	(7,035,695)	-	6,413,350	(622,345)	-	(622,345)
Restated balance at 1 January 2021	106,297	338,094,870	(112,795,804)	93,141,856	(21,285)	136,350,775	454,876,709	6,116,626	460,993,335
Total comprehensive income:									
Profit / (loss) for the year (restated*)	-	-	-	-	-	159,654,016	159,654,016	(6,032,805)	153,621,211
Other comprehensive loss	-	-	-	-	(22,158)	(274,819)	(296,977)	-	(296,977)
Transactions with owners:									
Dividends declared	-	-	-	-	-	(110,017,887)	(110,017,887)	-	(110,017,887)
Transfers to retained earnings (restated*)	-	-	-	(299,710)	-	299,710	-	-	-
Restated balance at 31 December 2021	106,297	338,094,870	(112,795,804)	92,842,146	(43,443)	186,011,795	504,215,861	83,821	504,299,682
Restated balance at 1 January 2022	106,297	338,094,870	(112,795,804)	92,842,146	(43,443)	186,011,795	504,215,861	83,821	504,299,682
Total comprehensive income:									
Profit / (loss) for the year	-	-	-	-	-	144,692,756	144,692,756	(18,795,194)	125,897,562
Other comprehensive income / (loss)	-	-	-	65,809,809	746,961	(438,863)	66,117,907	-	66,117,907
Transactions with owners:									
Dividends declared	-	-	-	-	-	(111,612,348)	(111,612,348)	-	(111,612,348)
Additional capital	-	-	-	-	-	-	-	48,874,441	48,874,441
Transfers to retained earnings	-	-	-	(2,085,073)	-	2,085,073	-	-	-
Balance at 31 December 2022	106,297	338,094,870	(112,795,804)	156,566,882	703,518	220,738,413	603,414,176	30,163,068	633,577,244

* See note 2 (d) and Note 33

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

APU Joint Stock Company and Subsidiaries
Consolidated Statement of Cash Flows

For the year ended 31 December 2022

<i>(In thousands of MNT)</i>	<i>Note</i>	2022	2021 (restated*)
Cash flows from operating activities			
Profit for the year		125,897,562	153,621,211
Adjustments for:			
Income tax expense	23	28,214,649	41,073,744
Interest expense on lease liabilities	22	4,728,702	2,092,308
Interest expense on loans	22	1,917,134	802,001
Unwinding of the discount on employee benefit provision	22	56,002	43,973
Interest income	21	(151,237)	(520,070)
Unrealised foreign exchange loss/(gain), net		6,222,387	(153,951)
Depreciation	6	59,293,818	36,021,899
Amortisation	7	7,466,003	7,381,218
Impairment loss on trade and other receivables, net	10	48,127	262,394
Reversal gain/(impairment loss) bank balances	11	(159,801)	39,557
Impairment loss on slow moving and obsolete items	8	21,948	179,632
Gain on disposal of property, plant and equipment	19	(127,793)	(101,639)
Loss on disposal of property, plant and equipment	20	29,474	448,784
Loss on write-off of property, plant and equipment	20	588,678	374,964
Revaluation loss on property, plant and equipment	19, 20	8,358,289	-
		242,403,942	241,566,025
Changes in assets and liabilities:			
Trade and other receivables		(17,466,618)	6,027,757
Inventories		(97,861,588)	(4,560,480)
Assets held for sale		(709,036)	-
Prepayments		(13,209,846)	(16,134,276)
Trade payables		25,559,708	10,728,276
Other payables		25,273,304	(15,864,158)
Employee benefits		69,035	(158,501)
		164,058,901	221,604,643
Interest on loans paid		(579,223)	(802,001)
Interest on lease liabilities paid	24	(4,728,702)	(2,092,308)
Interest received		151,237	520,070
Income taxes paid		(46,256,577)	(37,666,608)
Net cash provided by operating activities		112,645,636	181,563,796

APU Joint Stock Company and Subsidiaries
Consolidated Statement of Cash Flows, continued

For the year ended 31 December 2022

<i>(In thousands of MNT)</i>	<i>Note</i>	2022	2021 (restated*)
Cash flows from investing activities			
Acquisition of property, plant and equipment		(92,642,150)	(65,083,697)
Acquisition of intangible assets	7	(547,103)	(1,052,277)
Proceeds from disposal of property, plant and equipment		412,588	125,110
Disposal of other financial investments		-	500,000
Net cash used in investing activities		(92,776,665)	(65,510,864)
Cash flows from financing activities			
Proceeds from long-term borrowings		67,000,000	19,115,608
Repayment of borrowings		(45,500,000)	-
Dividends paid	12	(100,762,553)	(118,447,195)
Payment of lease liabilities		(6,474,100)	(3,438,035)
NCI portion of new capital issued by subsidiary		25,097,686	-
Net cash used in financing activities		(60,638,967)	(102,769,622)
Exchange difference on translating foreign operation		309,351	(8,019)
Net (decrease)/increase in cash and cash equivalents		(40,460,645)	13,275,291
Cash and cash equivalents at the beginning of year	11	77,277,711	64,059,208
Reversal gain/(impairment loss) on cash and cash equivalents	11	159,801	(39,557)
Effect of foreign exchange rate fluctuations on cash held		1,388,240	(17,231)
Cash and cash equivalents at the end of year	11	38,365,107	77,277,711

* See note 2 (d) and Note 33

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