Tumen Shuvuut JSC

Separate financial Statements together with Independent Auditor's Report for the year ended 31 December 2022

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STATEMENT BY EXECUTIVES

We, Bold Jigjid, being Chief Executive Officer of Tumenshuvuut JSC and its subsidiary ("the Group") and Doljinsuren Naimanjin, being the Chief Accountant primarily responsible for the financial statements of the Group, do hereby state that, in our opinion, the accompanying financial statements set out on pages 1 to 35 present fairly, in all material respects the financial position of the Group as at 31 December 2022 and its financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards.

Bold Jigjid
Chief Executive Officer

Doljinsuren Naimanjin
Chief Accountant

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of Tumen Shuvuut JSC,

Report on the Audit of the Separate financial statements

Opinion

We have audited the separate financial statements of Tumen Shuvuut JSC (the "Company"), which comprise the statement of separate financial position as at 31 December 2022, and the statement of separate profit or loss and other comprehensive income, statement of separate changes in owners' equity and statement of separate cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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 Auditor's Responsibilities for the Audit of the Separate 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 "Code"), and we have fulfilled our other ethical responsibilities in accordance with the 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 separate financial statements. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We identified the following matter as a key audit matter.

Key audit matters	Procedures performed by us
Valuation of biological assets IFRS requires that biological assets to be measured and reported at fair value less costs to sell. However, as there are no active or liquid market to determine the fair value of the Company's biological assets, they are measured at cost less any accumulated amortisation and impairment losses. The amortisation rate is calculated based estimated useful life of the biological asset and is amortised using the straight-line method. As at 31 December 2022, the Company's biological assets amounted to MNT 3,651,258 thousand (2021: MNT 3,048,337 thousand) in the statement of separate financial position. Refer to the Note 13 of the separate financial statements.	Our audit procedures on the valuation of the biological assets include the following: • Obtained an understanding of processes and evaluated the design and implementation of key controls in respect of the valuation of the biological assets; • Relevant costs of the biological assets were traced to the respective supporting documents by sampling method; • Held discussions with management and assessed the key assumptions used to determine the valuation of the Company's biological assets; • Assessed the appropriateness of management estimates and valuations that determine the amortisation rate of the biological assets; • Assessed the accuracy and appropriateness of the disclosures of the financial statements.

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Other Information

The management of the Company is responsible for the other information. The other information comprises the information included in the statement by executives, but does not include the separate financial statements and our auditor's report thereon.

Our opinion on the separate 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 separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate 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 Separate financial statements

Management is responsible for the preparation of the separate financial statements that give a true and fair view in accordance with IFRSs issued by the International Accounting Standards Board, and for such internal control as the management determine is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate 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 Separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate 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 solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. 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 separate 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 separate 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

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Auditor's Responsibilities for the Audit of the Separate financial statements (cont'd)

- Conclude on the appropriateness of the 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 to our auditor's report to the related disclosures in the separate 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 separate financial statements, including the disclosures, and whether the separate 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.

Onch Audit LLC

Onch Audit LLC
Ulaanbaatar, Mongolia
24 April 2023

Signed by:

Ankhtaivan Batsukh
Partner, CPA

TUMEN SHUVUUT JSC
STATEMENT OF SEPARATE FINANCIAL POSITION
AS AT 31 DECEMBER 2022
(IN THOUSANDS OF MONGOLIAN TOGROGS)

	Notes	2022	2021
Assets			
Current assets			
Cash and cash equivalents	6	617,837	3,347,026
Account and other receivables	7	3,874,088	1,704,692
Prepayments and advances	8	1,254,575	2,636,337
Inventories	9	5,742,300	7,646,299
Biological assets	13.1	2,260,048	1,748,990
		13,748,848	**17,083,344**
Non-current assets			
Property, plant and equipment	11	30,262,115	22,972,024
Intangible assets	12	363,842	394,090
Biological assets	13.2	1,391,210	1,299,347
Investment in a subsidiary, at cost	10	814,565	814,565
Other non-current assets	24.1	5,767,454	4,830,567
		38,599,186	**30,310,593**
Total Assets		**52,348,034**	**47,393,937**
Liabilities and Owners' equity			
Current liabilities			
Account and other payables	14	3,403,176	1,841,931
Contract liabilities	15	55,099	17,865
Corporate income tax payable	19.2	637,176	500,807
Short-term borrowings	16	5,051,989	5,205,541
		9,147,440	**7,566,144**
Non-current liabilities			
Long-term borrowings	16	6,375,000	8,017,308
Total Liabilities		**15,522,440**	**15,583,452**
Owners' Equity			
Share capital	17	4,000,000	4,000,000
Additional paid-in capital	18	8,007,687	8,007,687
Retained earnings		24,817,907	19,802,798
		36,825,594	**31,810,485**
Total Liabilities and Owners' Equity		**52,348,034**	**47,393,937**

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

TUMEN SHUVUUT JSC
STATEMENT OF SEPARATE PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022
(IN THOUSANDS OF MONGOLIAN TOGROGS)

	Notes	2022	2021
Revenue	20.1	45,955,858	35,912,919
Cost of sales	20.2	(42,829,480)	(32,918,823)
Gross profit		**3,126,378**	**2,994,096**
Gain arising from initial recognition of agricultural produce at fair value	23	10,604,411	8,134,243
Other income		-	95,962
Finance cost	16.2	(652,097)	(3,051)
Selling and general administrative expenses	21	(4,733,009)	(3,307,780)
Other gains and (losses)	22	(107,923)	(25,976)
Profit before tax		**8,237,760**	**7,887,494**
Income tax expense	19	(1,142,323)	(1,004,323)
Net profit for the year		**7,095,437**	**6,883,171**
Other comprehensive income		-	-
Total comprehensive income for the year		**7,095,437**	**6,883,171**
Earnings per share (in MNT)		**35.48**	**34.42**

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

TUMEN SHUVUUT JSC
STATEMENT OF SEPARATE CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022
(IN THOUSANDS OF MONGOLIAN TOGROGS)

	Share Capital	Additional paid in capital	Retained earnings	Total equity
Balance as at 31 December 2020	**4,000,000**	**8,007,687**	**13,202,523**	**25,210,210**
Effect of changes in accounting policy and adjustments	-	-	(282,896)	**(282,896)**
Net profit for the year	-	-	6,883,171	**6,883,171**
Balance as at 31 December 2021	**4,000,000**	**8,007,687**	**19,802,798**	**31,810,485**
Net profit for the year	-	-	7,095,437	**7,095,437**
Dividends declared (Note 17)	-	-	(2,080,328)	**(2,080,328)**
Balance as at 31 December 2022	**4,000,000**	**8,007,687**	**24,817,907**	**36,825,594**

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

TUMEN SHUVUUT JSC
STATEMENT OF SEPARATE CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022
(IN THOUSANDS OF MONGOLIAN TOGROGS)

	Notes	2022	2021
Cash flows from operating activities			
Profit before tax		**8,237,760**	**7,887,494**
Adjustments for:			
Depreciation expense	11,13	5,875,435	4,528,785
Amortisation expense	12	30,248	31,668
Losses on disposal of biological assets		-	22,880
Unrealised gain on foreign currency exchange		(136,952)	(7,856)
(Gain)/loss on disposal of property, plant and equipment	22	(15,838)	13,644
Inventory write off expense	21	142,213	93,473
Interest expense	16.2	652,097	606,040
Effect of adjustments		-	(42,896)
		14,784,963	**13,133,232**
(Increase)/decrease in accounts and other receivables		(2,169,396)	1,705,685
Decrease/(increase) in prepayments and advances		1,381,762	(969,676)
Decrease/(increase) in inventories		1,846,812	(4,220,724)
Increase in accounts and other payables		1,199,592	390,262
Increase in contract liabilities		37,234	-
		17,080,967	**10,038,779**
Income taxes paid	19.2	(1,005,954)	(747,069)
Cash flows from operating activities		**16,075,013**	**9,291,710**
Cash flows from investing activities			
Acquisitions for property, plant and equipment		(9,033,945)	(6,331,519)
Acquisitions for biological assets	13	(4,599,605)	(3,553,922)
Proceeds from the disposal of non-current assets		92,173	152,979
Advances provided to the subsidiary	24.2	(1,051,913)	(2,839,799)
Collections of advances provided to the subsidiary	24.2	30,000	62,320
Net cash flows used in operating activities		**(14,563,290)**	**(12,509,941)**
Cash flows from financing activities			
Borrowings and loans received	16.2	4,000,000	12,500,000
Repayments of borrowings and loans	16.2	(5,776,282)	(4,681,930)
Interest paid	16.2	(882,907)	(591,653)
Reserved for accumulation fund		-	(240,000)
Dividend payments	24.2	(1,654,364)	(1,600,000)
Advances received from shareholders	24.2	412,000	-
Repayments to shareholders	24.2	(352,550)	-
Net cash flows (from)/used in financing activities		**(4,254,103)**	**5,386,417**
Effects of exchange rate changes on cash		13,191	7,856
(Decrease)/Increase in cash and cash equivalents		**(2,729,189)**	**2,176,042**
Cash and cash equivalents, at beginning of the year		**3,347,026**	**1,170,984**
Cash and cash equivalents, at end of the year	6	**617,837**	**3,347,026**

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

1. Operations and organization

Tumen Shuvuut JSC (the "Company") was incorporated under the laws of Mongolia in 2006 and was registered on the Mongolian Stock Exchange in January 2019. As at 31 December 2022, the Company's shareholders are:

- 30.02% - Tungalag B.
- 30% - Erkhembayar L.
- 10% - Bold J.
- 10% - Bayarjargal E.
- 19.98% - other shareholders

During the year ended 31 December 2022 and 2021, the Company was primarily engaged in egg production, poultry farming, sale and production of forage and meat production.

The Company's registered and principal place of business is Tumen Shuvuut JSC Head Office Building, 27 Khoroo, Songinokhairkhan District, Ulaanbaatar Mongolia.

The separate financial statements (hereinafter "the financial statements") were authorized for issue by the executive management of the Company on 24 April 2023.

2. Summary of significant accounting policies

2.1 Statement of compliance

The financial statements have been prepared and presented in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

2.2 Basis of preparation

The financial statements have been prepared in accordance with IAS 27 (2011) and investment in a subsidiary is accounted for at cost. The financial statements have been prepared on a going concern basis, using the historical cost. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

These financial statements are presented in Mongolian Togrogs (MNT), which is the Company's functional currency. All financial information is presented in thousands of Mongolian Togrogs, unless otherwise indicated.

2.3 Investment in subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. Investment in subsidiaries are accounted for at cost.

2.4 Inventories

Inventories are measured at the lower of purchase and/or production cost, calculated by means of the weighted average cost method, and net realizable value. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Where necessary, an allowance for obsolescence is established for materials or products, in view of their expected use and realizable value.

2. Summary of significant accounting policies (cont'd)

2.5 Biological assets

A biological asset is a living animal or plant. Agricultural produce is the harvested produce of the Company's biological assets.

The Company recognises a biological asset or agricultural produce when, and only when:

- the Company controls the asset as a result of past events;
- it is probable that future economic benefits associated with the asset will flow to the Company; and
- the fair value or cost of the asset can be measured reliably.

A biological asset shall be measured on initial recognition and at the end of each reporting period at its fair value less costs to sell, except for the case where the fair value cannot be measured reliably. A gain or loss arising on initial recognition of a biological asset at fair value less costs to sell and from a change in fair value less costs to sell of a biological asset shall be included in profit or loss for the period in which it arises.

For the case where the fair value cannot be measured reliably, that biological asset shall be measured at its cost less any accumulated depreciation and any accumulated impairment losses. At the reporting date, Company has mature hens, immature chicks where future economic benefit will flow and sheep, horses, and cattle owned for research and breeding purposes.

Poultry farming

The Company classifies chicks as non-current biological assets which are yet to provide future economic benefits and measures them at cost when fair value cannot be reliably measured. The cost of chicks includes the purchase price of the fertilized egg and the directly allocable costs incurred during the biological evolution from the fertilized egg to the laying hen and the start of production. A fertilized egg will become a chick after an average of 15-20 days in the incubator, and a chick will become a laying hen after an average of 120 days.

When the Company begins receiving economic benefits i.e. when chicks become an egg laying hen, it is classified as a current biological asset and recognized at the amount of the accumulated cost during the biological evolution until the hen becomes a laying hen, and the cost is measured at the amount less any accumulated depreciation and impairment. Laying hens are depreciated on a straight-line basis over 12 months.

Agricultural products

The cost of eggs, an agricultural product received from the Company's biological assets, includes costs incurred in connection with harvesting egg and directly allocable depreciation related to laying hens recognized as working capital. As a result of the Company's agricultural operations, wheat, oats and rapeseed are harvested. Harvested crops are agricultural products, and their cost includes direct material costs, direct labor costs, and production overheads associated with cultivation. It is measured at fair value less costs to sell at the point of receipt or at the time of harvest. This measurement will be the cost of the day to comply with the IAS 2 - *Inventory*, and is further recognized using the cost model according to IAS 2 - *Inventory*.

The difference between the accumulated cost and the fair value less costs to sell is recognized in profit or loss for the reporting period.

Cattle/Livestock

The Company classifies immature biological assets such as young animals as non-current biological assets and measures them at purchase price or cost, assuming that the fair value cannot be reliably measured.

Biological assets such as sheep, horses and cattle held by the Company for research and breeding purposes are classified as non-current biological assets and are measured at the purchase price or cost less any accumulated depreciation and impairment.

2. Summary of significant accounting policies (cont'd)

2.6 Prepayments and advances

Prepayments and advances represent expenses not yet incurred and goods not yet received respectively but already paid in cash. Prepayments and advances are initially recorded as assets and measured at the amount of cash paid. Subsequently, prepaid expenses are charged to profit or loss as they are consumed in operations or expire with the passage of time and advances are reclassified to the related assets for which the cash was paid when the goods are received.

Prepayments are classified in the statement of financial position as current assets when the cost of goods or services related to the prepayments are expected to be incurred within one year. Otherwise, prepayments are classified as non-current assets.

At the end of the reporting period, the Company reviews the carrying amounts of its prepayments to determine whether there is any indication that those prepayments may be impaired.

2.7 Property, plant and equipment

Property and equipment is stated in the statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for supply of goods and services or administrative purposes are carried at cost, less any recognised impairment loss.

The cost of a property, plant, and equipment comprises:

- Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; and
- Any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the accounting policy stated in note 2.18. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Subsequent expenditures relating to property, plant, and equipment that have already been recognized are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Company.

All other subsequent expenditures are recognized as expenses in the period in which those are incurred.

Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

Depreciation is recognised so as to write off the cost or valuation of assets (other than land and properties under construction) less their residual values over their useful lives, using the straight-line method, on the following bases:

Buildings	5 to 40 years
Plant and equipment	1 to 30 years
Furniture and fixtures	1 to 10 years
Computer	1 to 3 years
Vehicles	1 to 10 years
Other assets	1 to 10 years

2. Summary of significant accounting policies (cont'd)

2.7 Property, plant and equipment (cont'd)

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Company's accounting policy.

Depreciation of these assets, determined on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount.

2.8 Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The useful life of the intangible assets is 1 to 3 years.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

2.9 Impairment of tangible and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise, they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit).

An impairment loss is recognized if the carrying amount of an asset or its cash-generating units exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (groups of units) on a pro rata basis.

2. Summary of significant accounting policies (cont'd)

2.9 Impairment of tangible and intangible assets (cont'd)

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss, other than impairment of goodwill is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization if no impairment loss had been recognized.

2.10 Financial instruments

Financial assets and financial liabilities are recognised when an entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately or issue profit or loss.

2.11 Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

2.11.1 Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

2. Summary of significant accounting policies (cont'd)

2.11.1 Classification of financial assets (cont'd)

Despite the foregoing, the Company may make the following irrevocable election/designation at initial recognition of a financial asset:

- The Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- The Company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

The Company has financial assets at amortised cost.

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Company recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition.

The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the "finance income – interest income" line item.

2. Summary of significant accounting policies (cont'd)

2.11.2 Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost, lease receivables, trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime ECL for trade receivables and lease receivables. The expected credit losses on these financial assets are estimated using the simplified approach though a provision matrix (for not credit impaired receivable) and specific assessment (for credit impaired receivable) based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

2. Summary of significant accounting policies (cont'd)

2.11.2 Impairment of financial assets (cont'd)

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- The financial instrument has a low risk of default;
- The debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Company considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- When there is a breach of financial covenants by the debtor; or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) Significant financial difficulty of the issuer or the borrower;
(b) A breach of contract, such as a default or past due event (see (ii) above);
(c) The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
(d) It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
(e) The disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

2. Summary of significant accounting policies (cont'd)

2.12.2 Impairment of financial assets (cont'd)

(v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above.

As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; the Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

2.11.3 Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

2.12 Financial liabilities and equity

2.12.1 Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2.12.2 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

2. Summary of significant accounting policies (cont'd)

2.12.3 Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method. The Company financial liabilities consist of financial instruments measure at amortised cost using effective interest method.

2.12.3.1 Financial liabilities measured subsequently at amortised cost

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

2.12.3.2 Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

2.13 Revenue recognition

The Company recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs;
- the Company's performance creates and enhances an asset that the customer controls as the Company performs; or
- the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

The Company's revenue consists of sales of eggs, forage, packaging materials and meat products. Revenue is recognised when the buyer acquires or specifically transfer control of the product to the buyer or the performance obligation is satisfied.

2.14 Foreign currencies

Currencies other than MNT are regarded as foreign currencies and transactions denominated in foreign currencies are translated into MNT at the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into MNT at exchange rates prevailing at the date of statement of financial position. Exchange differences arising from the changes in exchange rates subsequent to the dates of the transactions for monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss in the period in which they arise. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are not retranslated.

2. Summary of significant accounting policies (cont'd)

2.15 Expense recognition

Expenses in the statement of profit or loss and other comprehensive income are presented using the function of expense method. Costs of sales are expenses incurred that are associated with the goods sold. Operating expenses are costs general and administrative, marketing, selling and other business activities of the Company.

2.16 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

2.17 Segment information

An operating segment is a component of an entity:

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity),
- whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and
- for which discrete financial information is available.

For segments that meet the above requirements, the Company must disclose profit, loss, assets, and liabilities for each segment.

The Company has five segments: Poultry farm, Forage production, Fertilizer production, sale of packaging materials and Livestock, and prepares financial information for each of these segments.

2.18 Contingent liabilities and assets

Contingent liabilities and assets are not recognised because their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent liabilities are disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are disclosed only when an inflow of economic benefits is probable.

2.19 Related parties

A related party transaction is a transfer of resources, services or obligations between the Company and a related party, regardless of whether a price is charged. A person or a close member of that person's family is related to the Company if that person:

- has control or joint control over the Company; or
- has significant influence over the Company; or
- is a member of the key management personnel of the reporting Company or of a parent of the Company.

2. Summary of significant accounting policies (cont'd)

2.19 Related parties (cont'd)

An entity is related to the Company if any of the following conditions apply:

- the entity and reporting entity are members of same Company which means that each parent, subsidiary and fellow subsidiary is related to each other's;
- one entity is an associate or joint venture of the other entity or an associate or joint venture of a member of a Company of which the other entity is a member;
- both entities are joint ventures of the same third party;
- one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- the entity is controlled or jointly controlled by a person who is a related party as identified above; and
- a person that has control or joint control over the reporting entity has significant influence over the entity or is a member of the key management personnel of the entity or of a parent of the entity.

2.20 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

2.20.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

2.20.2 Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

2.20.3 Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

3. Critical accounting judgments and key sources of estimation uncertainty

The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates, and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses of the reporting period. Due to the inherent uncertainty in making those estimates, actual results reported in future periods may be based upon amounts that differ from those estimates**.**

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

3.1 Critical accounting judgments

3.1.1 Tax system in Mongolia

The Government of Mongolia continues to reform the business and commercial infrastructure in its transition to a market economy. As a result, the laws and regulations affecting businesses continue to change rapidly.

Taxes are subject to review and investigation by a number of authorities who are enabled by law to impose fines and penalties. While the Company believes it has provided adequately for all tax liabilities based on its understanding of the tax legislation, the above facts may create tax risks for the Company.

3.2 Key sources of estimation uncertainty

The following are the key assumptions used in the estimation uncertainty at the end of the reporting period involving the significant amounts recognised in the financial statements.

3.2.1 Calculation of loss allowance

The Company uses individual assessment to calculate ECL for account and other receivables. The provision rates are based on internal credit rating. The provision is based on the Company's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

As at 31 December 2022, the carrying amount of account and other receivables amounts to MNT 3,436,969 thousand (2021: MNT 1,541,448 thousand), net of ECL allowances for an amount of MNT 25,479 thousand (2021: MNT 25,479 thousand).

3.2.2 Useful lives of property and equipment

As described in Note 2.7, the Company reviews the estimated useful lives of property and equipment at the end of the reporting period and adjusts if necessary taking into consideration the usage patterns, the age of the assets and the technological advances. No revisions made to the useful lives at end of the current reporting period. Possible changes in these estimates may significantly affect profit for the year.

Management believe that the current useful lives reflect the economic lives of property and equipment.

3.2.3 Determine fair value of agricultural products

Agricultural products are measured at fair value less costs to sell. Considering that there were no significant changes in the market price of eggs during the reporting year, management believes that their estimates are reasonable.

(IN THOUSANDS OF MONGOLIAN TOGROGS)

4. Application of new and amendments to international financial reporting standards (IFRSs)

4.1 New standards and amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Company has applied a number of amendments to IFRSs issued by the International Accounting Standards Board ('IASB') that are mandatorily effective for an accounting periods that begins on or after 1 January 2022.

Effective for annual periods beginning or after	New Standards or Amendments
1 January 2022	• Amendments to IFRS 3 Reference to the Conceptual Framework • Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use • Amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract • Amendments to IFRS Standards Annual Improvements to IFRS Standards 2018-2020

The application of the new and amendments to IFRSs in the current year has had no material impact on the Company's financial positions and performance for the current and prior years and/or on the disclosures set out in these financial statements.

4.2 New standards and amendments to IFRSs that have been issued but are not yet effective.

The new and amendments to IFRSs and Interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable when they become effective.

Effective for annual periods beginning or after	New Standards or Amendments
1 January 2023	• IFRS 17 *Insurance Contracts* • Amendments to IAS 1 *Classification of Liabilities as Current or Non-current and related amendments* • Amendments to IAS 1 and IFRS Practice Statement 2 *Disclosure of Accounting Policies* • Amendments to IAS 8 *Definition of Accounting Estimates* • Amendments to IAS 12 Income Taxes—*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
To be determined	• Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The management of the Company is in the process of reviewing the application of these new and revised IFRS's. The determination of the impact of the financial statements is not complete yet, therefore it is not practicable to provide a reasonable estimate of the effects of these new and revised IFRSs until the Company completes the detailed review.

(IN THOUSANDS OF MONGOLIAN TOGROGS)

5. Segment information

2022	Poultry farm	Forage production	Fertilizer production	Packaging materials	Livestock	Unallocated amounts	Total
Segment revenue	37,827,579	7,859,607	138,599	120,528	9,545	-	45,955,858
Cost of sales	(35,942,310)	(6,696,227)	(101,155)	(83,640)	(6,148)	-	(42,829,480)
Gain arising from initial recognition of agricultural produce at fair value	10,604,411	-	-	-	-	-	10,604,411
Segment net profit	**12,489,680**	**1,163,380**	**37,444**	**36,888**	**3,397**	**-**	**13,730,789**
Accounts receivable	2,949,241	56,024	11,492	25	-	-	3,016,782
Inventory	577,410	3,440,040	203,735	889,295	-	631,820	5,742,300
Property, plant and equipment	19,429,837	4,839,389	1,545,855	305,919	245,242	3,895,873	30,262,115
Land use right	319,965	-	-	-	43,700	-	363,665
Biological assets	3,314,611	-	-	-	336,647	-	3,651,258
Segment assets	**26,591,064**	**8,335,453**	**1,761,082**	**1,195,239**	**625,589**	**4,527,693**	**43,036,120**
Accounts payable	-	845,955	112,281	-	-	204,589	1,162,825
Bank loan	6,692,308	3,333,333	-	-	-	1,401,348	11,426,989
Segment payable	**6,692,308**	**4,179,288**	**112,281**	**-**	**-**	**1,605,937**	**12,589,814**

(IN THOUSANDS OF MONGOLIAN TOGROGS)

5. Segment information (cont'd)

2021	Poultry farm	Forage production	Fertilizer production	Packaging materials	Livestock	Unallocated amounts	Total
Segment revenue	28,887,827	6,853,342	111,387	58,090	2,273	-	35,912,919
Cost of sales	(27,575,865)	(5,237,556)	(55,566)	(48,836)	(1,000)	-	(32,918,823)
Gain arising from initial recognition of agricultural produce at fair value	8,134,243	-	-	-	-	-	8,134,243
Segment net profit	**9,446,204**	**1,615,786**	**55,821**	**9,254**	**1,274**	**-**	**11,128,339**
Accounts receivable	1,080,306	75,701	13,486	-	-	-	1,169,493
Inventory	346,940	6,273,789	197,098	554,349	-	274,123	7,646,299
Property, plant and equipment	14,482,722	3,446,237	1,654,935	256,658	29,449	3,102,023	22,972,024
Land use right	346,353	-	-	-	46,631	-	392,984
Biological assets	2,797,577	-	-	-	250,760	-	3,048,337
Segment assets	**19,053,898**	**9,795,727**	**1,865,519**	**811,007**	**326,840**	**3,376,146**	**35,229,137**
Accounts payable	-	640,764	44,908	-	-	136,284	821,956
Bank loan	8,076,923	3,000,000	-	-	-	2,145,926	13,222,849
Segment payable	**8,076,923**	**3,640,764**	**44,908**	**-**	**-**	**2,282,210**	**14,044,805**

(IN THOUSANDS OF MONGOLIAN TOGROGS)

6. Cash and cash equivalents

	2022	**2021**
Cash at banks	371,819	3,141,134
Cash on hand	246,018	205,892
	617,837	**3,347,026**

No interest has been earned on the current bank accounts.

7. Account and other receivables

	2022	**2021**
Account receivable	3,016,782	1,169,493
Receivables from related parties (Note 24.1)	138,054	90,000
Other tax receivables	637,119	363,244
Other receivables	107,612	107,434
	3,899,567	**1,730,171**
Loss allowance	(25,479)	(25,479)
	3,874,088	**1,704,692**

7.1 Loss allowances

Interest is not charged on overdue receivables. Before accepting any new customer, the Company's management assesses the quality of the customer's credit risk and determines the credit limit for each customer.

The expected credit losses on accounts and other receivables are estimated by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

8. Prepayments and advances

	2022	**2021**
Advance payments to vendors	1,077,696	2,286,349
Prepaid expenses	176,879	349,988
	1,254,575	**2,636,337**

9. Inventories

	2022	**2021**
Raw material	3,543,872	6,172,085
Supply material	1,490,130	798,133
Finished goods	708,298	676,081
	5,742,300	**7,646,299**

(IN THOUSANDS OF MONGOLIAN TOGROGS)

10. Investment in a subsidiary, at cost

Details of a subsidiary of the Company, incorporated and operating in Mongolia, at the end of the reporting period are as follows:

Name of subsidiary	Principal activity	Amount of investment in subsidiary, at cost		Proportion of ownership interest and voting power held by the Company	
		2022	2021	2022	2021
Usjuulakh JSC	Agriculture	814,565	814,565	80.69%	80.69%

The subsidiary was established on 25 March 1997.

Usjuulakh JSC	As at 31 December 2022	As at 31 December 2021
Current assets	1,288,739	2,411,534
Non-current assets	5,498,948	5,866,464
Current liabilities	(1,025,347)	(1,767,110)
Non-current liabilities	(7,533,520)	(7,350,597)
Net assets	**(1,771,180)**	**(839,709)**

	Year ended 31 December 2022	Year ended 31 December 2021
Total revenue	450,876	724,140
Total expenses	(1,382,347)	(1,211,825)
Loss for the year to owners of the Company	(931,471)	(487,685)
Other comprehensive income attributable to owners of the Company	-	-
Total comprehensive loss attributable to owners of the Company	**(931,471)**	**(487,685)**
Net cash outflow from operating activities	(238,184)	(943,402)
Net cash outflow from investing activities	(597,965)	(818,450)
Net cash inflow financing activities	841,522	798,652
Net cash inflow/(outflow)	**5,373**	**(963,200)**

(IN THOUSANDS OF MONGOLIAN TOGROGS)

11. Property, plant and equipment

	Buildings	Plant and Equipment	Vehicles	Furniture and fixtures	Computer	Construction in progress	Other assets	Total
Cost:								
31 December 2020	10,181,152	11,106,104	1,509,492	305,890	112,959	128,770	1,097,827	24,442,194
Additions	117,343	526,751	236,806	53,272	11,841	4,736,677	648,829	6,331,519
Disposals	-	-	(34,140)	-	-	(166,623)	-	(200,763)
Reclassification	1,023,171	620,104	-	-	-	(1,743,209)	99,934	-
31 December 2021	**11,321,666**	**12,252,959**	**1,712,158**	**359,162**	**124,800**	**2,955,615**	**1,846,590**	**30,572,950**
Additions	141,125	1,972,490	1,101,776	58,422	38,133	5,288,710	644,521	9,245,177
Disposals	-	-	(149,864)	-	(15,078)	-	-	(164,942)
Reclassification	2,578,216	1,498,558	-	-	-	(4,105,163)	28,389	-
31 December 2022	**14,041,007**	**15,724,007**	**2,664,070**	**417,584**	**147,855**	**4,139,162**	**2,519,500**	**39,653,185**
Accumulated depreciation:								
31 December 2020	1,561,723	3,510,808	530,607	98,018	75,151	-	233,291	6,009,598
Depreciation	303,072	941,413	179,001	33,564	29,993	-	138,425	1,625,468
Disposals	-	-	(34,140)	-	-	-	-	(34,140)
31 December 2021	**1,864,795**	**4,452,221**	**675,468**	**131,582**	**105,144**	**-**	**371,716**	**7,600,926**
Depreciation	373,782	1,072,226	228,135	37,919	28,878	-	198,165	1,939,105
Disposals	-	-	(133,883)	-	(15,078)	-	-	(148,961)
31 December 2022	**2,238,577**	**5,524,447**	**769,720**	**169,501**	**118,944**	**-**	**569,881**	**9,391,070**
Carrying amount as at:								
31 December 2021	**9,456,871**	**7,800,738**	**1,036,690**	**227,580**	**19,656**	**2,955,615**	**1,474,874**	**22,972,024**
31 December 2022	**11,802,430**	**10,199,560**	**1,894,350**	**248,083**	**28,911**	**4,139,162**	**1,949,619**	**30,262,115**

(IN THOUSANDS OF MONGOLIAN TOGROGS)

11. Property, plant and equipment (cont'd)

11.1 Property, plant and equipment pledged as security

As of 31 December 2022, buildings, land tenure with the total carrying amount of MNT 11,050 million (2021: MNT 8,687 million) are pledged as security for bank loans.

11.2 Fully depreciated property, plant and equipment

	2022	2021
Cost	1,838,347	1,556,575
	1,838,347	**1,556,575**

12. Intangible assets

	Land use right	Software	Нийт
Cost:			
01 January 2021	425,998	35,254	461,252
Additions	-	-	-
31 December 2021	**425,998**	**35,254**	**461,252**
Additions	-	-	-
31 December 2022	**425,998**	**35,254**	**461,252**
Accumulated amortisation:			
01 January 2021	3,695	31,799	35,494
Depreciation	29,319	2,349	31,668
31 December 2021	**33,014**	**34,148**	**67,162**
Depreciation	29,319	929	30,248
31 December 2022	**62,333**	**35,077**	**97,410**
Carrying amount:			
December 31, 2021	**392,984**	**1,106**	**394,090**
December 31, 2022	**363,665**	**177**	**363,842**

(IN THOUSANDS OF MONGOLIAN TOGROGS)

13. Biological assets

13.1 Current biological assets

	Egg-laying chickens	Total
Cost:		
01 January 2021	4,331,184	4,331,184
Addition	2,874,144	2,874,144
Disposals	(2,802,901)	(2,802,901)
31 December 2021	**4,402,427**	**4,402,427**
Addition	4,448,739	4,448,739
Disposals	(2,723,781)	(2,723,781)
31 December 2022	**6,127,385**	**6,127,385**
Accumulated depreciation:		
01 January 2021	2,553,021	2,553,021
Depreciation	2,903,317	2,903,317
Disposals	(2,802,901)	(2,802,901)
31 December 2021	**2,653,437**	**2,653,437**
Depreciation	3,936,330	3,936,330
Disposals	(2,722,430)	(2,722,430)
31 December 2022	**3,867,337**	**3,867,337**
Quantity:		
01 January 2021	310,105	310,105
Addition	178,669	178,669
Disposals	(203,082)	(203,082)
31 December 2021	**285,692**	**285,692**
Addition	284,324	284,324
Disposals	(178,187)	(178,187)
31 December 2022	**391,829**	**391,829**
Carrying amount:		
December 31, 2021	**1,748,990**	**1,748,990**
December 31, 2022	**2,260,048**	**2,260,048**

(IN THOUSANDS OF MONGOLIAN TOGROGS)

13. Biological assets (cont'd)

13.2 Non-current biological assets

	Egg-laying chickens	Other	Total
Cost:			
01 January 2021	480,289	191,260	671,549
Additions	3,442,442	111,480	3,553,922
Transferred to current biological assets	(2,874,144)	-	(2,874,144)
Disposals	-	(51,980)	(51,980)
31 December 2021	**1,048,587**	**250,760**	**1,299,347**
Additions	4,454,715	144,890	4,599,605
Transferred to current biological assets	(4,448,739)	-	(4,448,739)
Disposals	-	(59,003)	(59,003)
31 December 2022	**1,054,563**	**336,647**	**1,391,210**
Quantity:			
01 January 2021	80,425	582	81,007
Additions	205,377	802	206,179
Transferred to current biological assets	(178,669)	-	(178,669)
Disposals	-	(266)	(266)
31 December 2021	**107,133**	**1,118**	**108,251**
Additions	293,292	1,049	294,341
Transferred to current biological assets	(284,324)	-	(284,324)
Disposals	-	(496)	(496)
31 December 2022	**116,101**	**1,671**	**117,772**
Carrying amount:			
December 31, 2021	**1,048,587**	**250,760**	**1,299,347**
December 31, 2022	**1,054,563**	**336,647**	**1,391,210**

14. Account and other payables

	2022	2021
Account payable	1,162,825	821,956
Tax payables	958,908	398,219
Dividend payable (Note 24.1)	430,459	4,495
Salary payable	322,459	436,824
Payable to related parties (Note 24.1)	196,854	137,404
Other payables	331,671	43,033
	3,403,176	**1,841,931**

(IN THOUSANDS OF MONGOLIAN TOGROGS)

15. Contract liabilities

	2022	2021
Advances received from vendors	55,099	17,865
	55,099	**17,865**

16. Borrowings

	2022	2021
Current	5,051,989	5,205,541
Non-current	6,375,000	8,017,308
	11,426,989	**13,222,849**

	2022	2021
Loan from Golomt Bank (i)	-	3,000,000
Loan from Golomt Bank (ii)	3,333,333	-
Loan from Golomt Bank (iii)	6,000,000	6,000,000
Loan from Xac Bank (iv)	375,000	500,000
Loan from Xac Bank (v)	950,000	1,550,000
Loan from related party (vi)	733,454	2,118,070
Interest payable	35,202	54,779
	11,426,989	**13,222,849**

16.1 Summary of borrowing arrangements:

(i) On 15 December 2021, the Company obtained a loan from Golomt Bank for a period of 12 months with the amount of MNT 3 billion bearing an interest rate of 15.3% per annum in order to purchase some wheat. The loan was secured by property, plant and equipment of the Company and it was fully repaid in the current year.

(ii) On 24 May 2022, the Company obtained a loan from Golomt Bank for a period of 12 months with the amount of MNT 4 billion bearing an interest rate of 15.75% per annum in order to purchase raw materials. The loan is secured by property, plant and equipment of the Company.

(iii) On 10 November 2021, the Company obtained a loan from Golomt Bank for a period of 24 months with the amount of MNT 6 billion bearing an interest rate of 9% per annum in order to finance a chicken farming project. The repayment of the loan will begin on December 12, 2023. The loan is secured by property, plant and equipment of the Company.

(iv) On 08 June 2021, the Company obtained a loan from Xac Bank for a period of 36 months with the amount of MNT 500 million bearing an interest rate of 9% per annum in order to finance the current assets. The loan is secured by property, plant and equipment of the Company.

(v) On 28 July 2017, the Company obtained a loan from Xac Bank for a period of 84 months with the amount of MNT 3 billion bearing an interest rate of 8% per annum for an investment purpose. The loan is secured by property, plant and equipment of the Company.

(vi) On 30 May 2021, the Company obtained a loan from Golomt Bank for a period of 24 months with the amount of MNT 3 billion bearing an interest rate of 13.75% per annum.

(IN THOUSANDS OF MONGOLIAN TOGROGS)

16. Borrowings (cont'd)

16.2 Reconciliation of liabilities arising from financing activities (cont'd)

	Borrowings (Note 16)	Loans from related parties (Note 24)	Total
At 1 January 2019	5,390,392	-	5,390,392
Financing cash inflows	9,500,000	3,000,000	12,500,000
Financing cash outflows	(3,758,853)	(923,077)	(4,681,930)
Interest paid	(409,197)	(182,456)	(591,653)
Interest expense	382,437	223,603	606,040
At 31 December 2021	**11,104,779**	**2,118,070**	**13,222,849**
Financing cash inflows	4,000,000	-	4,000,000
Financing cash outflows	(4,391,667)	(1,384,615)	(5,776,282)
Interest paid	(731,547)	(151,360)	(882,907)
Capitalized interest expense	211,232	-	211,232
Interest expense	500,738	151,359	652,097
At 31 December 2022	**10,693,535**	**733,454**	**11,426,989**

17. Share capital

	Share number		Share capital	
	2022	2021	2022	2021
At the beginning and ending of the year	200,000,000	200,000,000	**4,000,000**	**4,000,000**

The share capital as of 31 December 2022 and 2021 amounting to MNT 4 billion, consists of 200 million authorised, issued, and fully paid ordinary shares at par value of MNT 20.

On 26 January 2022, in accordance with the resolution of the Board of Directors, the Company declared dividends for a total amount of MNT 2,080,000 thousand, MNT 10.4 per share.

The Company is registered with the State Registration Agency and with the State Registration No. 2844753.

18. Additional paid-in capital

	2022	2021
Additional paid-in capital	8,007,687	8,007,687
	8,007,687	**8,007,687**

The Company was registered on the Mongolian Stock Exchange in January 2019. 20 percent or 40 million shares of the common shares in circulation were offered to the public, collecting a total of MNT 10 billion. The excess amount paid in capital to the nominal value of MNT 9 billion has been recognized as additional paid-in capital after deducting expenses of MNT 992,313 thousand, incurred in relation to share issuance.

(IN THOUSANDS OF MONGOLIAN TOGROGS)

19. Income tax expense

	2022	2021
Current tax:		
Current tax expense in respect of the current year	1,142,323	1,004,323

19.1 Current tax

The income tax expense for the year can be reconciled to the accounting profit as follows:

	2022	2021
Accounting profit before taxation	8,237,760	7,887,494
Income tax expense at statutory rate of 25% based on net profit before taxation	2,059,440	1,971,874
Effect of expenses that are non-deductible	49,984	6,927
Tax discount	(67,101)	(74,478)
Effect of lower tax rate used	(900,000)	(900,000)
Total income tax expense recognised in the current year	**1,142,323**	**1,004,323**

The tax rate used for the 2022 and 2021 reconciliations above are the corporate tax rates of 25% payable by corporate entities in Mongolia on taxable profits in excess of MNT 6 billion (10% on the taxable profit of up to MNT 6 billion) in accordance with the Economic entities income tax law.

19.2 Current tax liabilities

	2022	2021
Net current income tax payable as at 1 January	500,807	243,553
Current income tax expense	1,142,323	1,004,323
Current income tax paid	(1,005,954)	(747,069)
Net current income tax payable as at 31 December	**637,176**	**500,807**

20. Revenue and cost of sales

20.1 Revenue

	2022	2021
Egg sales	37,832,722	28,939,203
Forage sales	7,859,607	6,853,342
Meat sales	442,692	222,001
Fertilizer sales	138,599	111,387
Packaging materials’ sales	120,528	58,090
Other income	9,545	2,273
Sales return	(259,277)	(98,545)
Sales discount	(188,558)	(174,832)
	45,955,858	**35,912,919**

(IN THOUSANDS OF MONGOLIAN TOGROGS)

20. Revenue and cost of sales (cont'd)

20.2 Cost of sales

	2022	2021
Egg costs	35,576,679	27,396,440
Forage costs	6,696,227	5,237,556
Meat costs	365,631	179,425
Fertilizer costs	101,155	55,566
Packaging materials' costs	83,640	48,836
Other costs	6,148	1,000
	42,829,480	**32,918,823**

21. Selling and general administrative expenses

	2022	2021
Salaries and related costs*	2,262,107	1,769,998
Depreciation expense	333,633	297,313
Incentive expenses	318,506	27,784
Fuel expense	299,747	166,627
Repair and maintenance	168,372	123,113
Inventory provision	142,213	93,473
Superannuation fund expenses	134,615	-
Supply expense	111,108	110,592
Communication expense	108,988	72,350
Events	106,388	35,774
Advertisement expense	76,412	37,767
Professional service fee	69,066	92,616
Business trip	47,559	-
Rental	37,687	18,097
Transportation	33,590	161,302
Tax expense	27,603	28,465
Donation	6,561	3,672
Insurance expense	5,628	5,774
Penalty expense	-	38,565
Other expenses	443,226	224,498
	4,733,009	**3,307,780**

22. Other gains and (losses)

	2022	2021
Foreign exchange loss	(123,761)	(12,332)
Gain/(loss) on disposal of property, plant and equipment	15,838	(13,644)
	(107,923)	**(25,976)**

(IN THOUSANDS OF MONGOLIAN TOGROGS)

23. Gain arising from initial recognition of agricultural produce at fair value

	2022	2021
Gain arising from initial recognition of agricultural produce at fair value	10,604,411	8,134,243
	10,604,411	**8,134,243**

24. Balances and transactions with related parties

24.1 Balances with related parties

As at 31 December 2021 and 2022, the Company had the following balances and transactions with related parties:

	2022	2021
The balance of the total financing provided to the subsidiary*	5,767,454	4,830,567
Receivables from the shareholders	138,054	90,000
Dividend payable	430,459	4,495
Payable to other related parties	196,854	137,404
A loan from the subsidiary	733,454	2,118,070

The Company has provided advances to its subsidiary, Usjuulakh JSC to finance the purchase of property, plant and equipment.

24.2 Terms and conditions of transactions with related parties

The following transactions are incurred with the shareholders of the Company:

	2022	2021
Declared dividends	2,080,328	-
Paid from declared dividends	1,654,364	1,600,000
Advances received	412,000	-
Repayment of advances received	352,550	-

The following transactions are incurred with the subsidiary company:

	2022	2021
Advances provided	1,051,913	2,839,799
Collection of advances provided	30,000	62,320
Collection of advances provided - by merchandise	85,026	-
Received loan	-	3,000,000
Repayment of the loan	1,384,615	923,077
Loan interest expense	151,359	223,603

The transactions and balances arose in the ordinary course of business. No interest is charged on purchases from related parties.

24.3 Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the year were as follows:

	2022	2021
Short term salaries and benefits	279,259	290,375
	279,259	**290,375**

(IN THOUSANDS OF MONGOLIAN TOGROGS)

25. Financial instruments and financial risk management objectives

The Company's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Company's business whilst managing its credit, liquidity, interest rate and foreign exchange risks in order to minimise the potential adverse effects on the performance of the Company. The Company operates within clearly defined guidelines that are approved by the board of directors and the Company's policy is not to engage in speculative transactions.

The Company's principal financial instruments comprise of cash and cash equivalents, accounts and other receivables, accounts and other payables and borrowings. The main purpose of these financial instruments is to raise finance for the Company's operations.

Categories of financial instruments:

	2022	2021
Financial assets:		
Cash in banks and cash equivalents, amortised cost	371,819	3,141,134
Account and other receivables, amortised cost	3,236,969	1,341,448
Financial liabilities:		
Financial liabilities, at amortised cost	2,121,809	1,006,888
Borrowings, at amortised cost	11,426,989	13,222,849

The main purpose of these financial instruments is to raise finance for the Company's operations. The Company does not invest in financial instruments for trading or hedging purposes.

The Company is exposed to financial risks such as credit risk and liquidity risk.

25.1 Credit risk management

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Company.

Credit risk as of 31 December 2022 and 2021 are as follows:

	Carrying value	
	2022	2021
Cash in banks and cash equivalents,	371,819	3,141,134
Account and other receivables, amortised cost	3,236,969	1,341,448
	3,608,788	**4,482,582**

The Company does not hold collateral as security for accounts and other receivables as of the end of the reporting period.

The management of the Company considers that bank balances that are deposited with local banks or financial institutions with high credit rating to be low credit risk financial assets. The management of the Company considers the probability of default is negligible and accordingly, no loss allowance was recognized.

The management of the Company has made individual assessments on recoverability of accounts and other receivables based on historical settlement records and adjusted for forward-looking information. The Company determines the expected credit losses on these items based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status. Details of the impairment assessment on accounts and other receivables are set out in the Note 7.

(IN THOUSANDS OF MONGOLIAN TOGROGS)

25. Financial instruments and financial risk management objectives (cont'd)

25.2 Liquidity risk management

Liquidity risk arises when the Company encounters difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's objective of managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Ultimate responsibility for liquidity risk management rests with the Board of Directors of the Company, which has established an appropriate liquidity risk management framework for the management of the Company's short-, medium- and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The tables include both principal cash flows and future interest. The contractual maturity is based on the earliest date on which the Company may be required to pay.

	Weighted average effective interest rate %	Less than 3 month	3-6 months	6 months to 1 year	1-3 years	Above 3 years	Total	Carrying amount
31 December 2022								
Non-interest bearing	-	2,121,809	-	-	-	-	2,121,809	2,121,809
Fixed interest rate instruments	6.5%	2,743,770	2,035,526	750,587	3,659,099	4,367,000	13,555,982	11,426,989
		4,865,579	**2,035,526**	**750,587**	**3,659,099**	**4,367,000**	**15,677,791**	**13,548,798**

	Weighted average effective interest rate %	Less than 3 month	3-6 months	6 months to 1 year	1-3 years	Above 3 years	Total	Carrying amount
31 December 2021								
Non-interest bearing	-	1,006,888	-	-	-	-	1,006,888	1,006,888
Fixed interest rate instruments	5.5%	844,810	1,137,429	4,394,068	4,812,285	5,172,463	16,361,055	13,222,849
		1,851,698	**1,137,429**	**4,394,068**	**4,812,285**	**5,172,463**	**17,367,943**	**14,229,737**

(IN THOUSANDS OF MONGOLIAN TOGROGS)

25. Financial instruments and financial risk management objectives (cont'd)

25.3 Market risk

Market risk refers to the possibility that changes in market prices, such as foreign exchange rates, interest rates, and equity prices will affect the Company's profit or the value of its holdings of financial instruments. The Company focuses on two market risk areas, namely interest rate risk and foreign currency risk. The objective and management of these risks are discussed below.

25.3.1 Interest rate risk management

The Company is exposed to no interest rate risk because it borrows funds at both fixed interest rates as at 30 December 2021 and 2022. The Company does not use hedging instruments to manage interest rate risk.

The company's management has not prepared an analysis because the change in the interest rate did not affect the interest income on current accounts and saving.

25.3.2 Foreign currency risk management

The Company incurs foreign currency risk on purchases and payments denominated in a currency other than MNT. The Company does not control foreign currency risk using foreign currency derivative instruments.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date explained in MNT are as follows:

	2022		**2021**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Foreign currency denominated	39,583	197,829	4,400	-

The Company is mainly exposed to USD, CNY and RUB (collectively referred to as "Foreign Currency"). The following table details the Company's sensitivity to a 10% increase and a decrease in the MNT against the foreign currency. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

A 10 percent strengthening of MNT against other currencies held by the Company as at the date of the statement of financial position would increase profit before tax by the amount shown below. This analysis assumes all other risk variables remained constant.

	2022	**2021**
Effect on profit before tax	15,825	(440)

A 10 percent weakening of MNT against other currencies held by the Company as at the date of the statement of financial position would have had the equal but opposite effect on the above currencies to the amount shown above, on the basis that all other risk variables remained constant.

25. Financial instruments and financial risk management objectives (cont'd)

25.4 Fair values of financial assets and liabilities

The Company follows the following hierarchy for determining and disclosing the fair value of financial instruments based on the level of significant inputs used in the measurement.

Level 1: Fair value is based on quoted prices in active markets for identical assets or liabilities

Level 2: The inputs used for fair value measurement are market observable inputs other than those quoted prices included within level 1, either directly or indirectly.

Level 3: Valuation techniques are used to estimate the fair value of which significant inputs are not based on observable market data.

The Company determines fair values for these financial instruments which are not carried at fair value in the financial statements as follows:

(i) Financial assets and liabilities for which fair value approximates carrying amount

For financial assets and liabilities that are liquid or having short-term maturity of less than one year, it is assumed that the carrying amount approximate to their respective fair value.

(ii) Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortized cost basis are estimated by comparing market interest rates when they were first recognized with the current market rates offered for the similar financial instruments available in Mongolia.

The Company’s financial instruments consist of financial assets and liabilities carried at amortized cost.

The management considers that the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values.

26. Capital Risk Management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Company’s overall strategy remains unchanged from 2021.

27. Events after the reporting period

According to the resolution of the Board of Directors dated 11 February 2023, the Company declared dividend for a total amount of MNT 2,140,000 thousand, MNT 10.7 per share.

There have been no other significant events subsequent to the balance sheet date requiring disclosure in the financial statements.

28. Comparable Information

Certain prior year financial figures have been reclassified in order to compare them with financial figures for the current year.

29. Translation of the financial statements

These financial statements are also prepared in the Mongolian language. In the event of discrepancies or contradictions between English and Mongolian version, the Mongolian version will prevail.