

FINANCIAL STATEMENTS
for the year ended 31 December 2023
prepared in accordance with IFRS

SUU
Joint Stock Company

**General information
for the year ended 31 December 2023**

Company name	Suu Joint Stock Company	
State registration number	2077108	
Nature of activities	The main activities of the Company are production, sales and delivery services of dairy products and dairy farming, cultivation of fodder plants and vegetables and all other activities not prohibited by law.	
Executive management	Gantulga B.	Chief Executive Officer
Board of Directors	Ganbaatar D. Tserenjigmed D. Jamiyan D. Otgonjargal .S Tuvshintugs B. Uyangalynkhua D. Tungalag D. Sukhbold S. Bayar G. Batzorig B. Davaanyam D. Tserendorj N.	Chairman of the BOD Member of the BOD Member of the BOD Member of the BOD Member of the BOD Member of the BOD Member of the BOD Independent member of the BOD Independent member of the BOD Independent member of the BOD Independent member of the BOD
Registered address	Suu JSC SUU Company building Trade Union street-37, Songinokhairkhan district, Khoroo-8, Ulaanbaatar, Mongolia	
Auditors	BDO Audit LLC Room 1502, Level 15, Union Building-B, Paris Street, Naryn Zam-62, Sukhbaatar District, Khoroo-1, Ulaanbaatar, Mongolia	

**Statement of Management's Responsibility
for the preparation and approval of financial statements
for the year ended 31 December 2023**

The following statement, which should be read in conjunction with the independent auditor's responsibilities stated in the independent auditor's report set out on pages 3-8, is made with a view to distinguishing the respective responsibilities of management and those of the independent auditors in relation to the financial statements of Suu JSC (the Company) for the year ended 31 December 2023.

The management is responsible for the preparation of the financial statements that present fairly, the financial position of the Company at 31 December 2023, financial performance, changes in equity and cash flows for the year then ended, in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and the Accounting Law of Mongolia, and in consistence with the accounting rules and regulations for the company set by authorized institutions.

The financial statements of the Company for the year ended 31 December 2023 were authorized for issuance by the Company management



**GANBAATAR
DAGVADORJ**
Chairman of the BOD

**GANTULGA
BULGAN**
Chief Executive Officer

**DAVAALIMBE
SHINEBAYAR**
Chief Financial Officer

Date: 2024/04/12

Ulaanbaatar, Mongolia

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Suu JSC

Opinion

We have audited the financial statements of Suu Joint Stock Company (the Company), which comprise of:

- the statement of financial position as at 31 December 2023;
- the statement of profit or loss and other comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended; and
- notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023 and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Mongolia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

1 Initial and subsequent measurements of biological assets

As required by IAS 41, *Agriculture*, the Company's biological assets should be measured at fair value less cost to sell at initial recognition and subsequently at the end of each reporting period.

Procedure performed by the Auditor:

- Identified physical condition of the biological asset at the end of each reporting period, and the current and future use of the asset;

INDEPENDENT AUDITOR'S REPORT (continued)

Key audit matters (continued)

1 Initial and subsequent measurements of biological assets (continued)

This fair value measurement requires management to make significant estimations and assumptions. The measurement has a direct impact on the statement of financial position and the statement of profit or loss and other comprehensive income.

As of 31 December 2023, the amount of current and non-current biological assets is MNT 1,463,101 thousand (2022: 2,402,698 thousand) thousand.

See Note 24 to the financial statements.

Procedure performed by the Auditor (continued):

- Assessed the appropriateness of choice of method used by management, and the validity of inputs used in the estimation of fair value;
- Conducted market and price research on similar biological assets;
- Assumptions were made on the aging, probability of giving birth to offspring, average milk yield, net cash flow to be generated, and the fair value was calculated at the present value of the expected cash flows from future usage.
- Assessed the appropriateness of relevant disclosures in the financial statements.

2 Valuation of inventories

In accordance with the IAS 2, *Inventory*, the Company's inventories should be measured at the lower of cost or net realizable value.

This measurement of net realizable value requires management to compare the cost of inventory with the net realizable value estimated based on the estimated costs of completion and the estimated costs necessary to make the sale and measure their inventories at the lower of the above.

As of 31 December 2023, the inventory balances amount to MNT 22,238,723 thousand (2022: MNT 21,641,490 thousand).

See Note 16 to the attached financial statements.

Procedure performed by the Auditor:

In order to check the appropriateness of valuation of inventories at the end of the reporting period:

- Verified that the final selling price is higher than the cost of inventory plus estimate for the additional costs of completion and costs to sell.
- Estimated the selling price by taking into account the normal commercial and quantitative discounts.
- Checked the appropriateness of the estimated costs to be incurred until completion.
- Inspected the estimated costs to sell.
- Assessed the appropriateness of the relevant disclosures in the separate financial statements.

INDEPENDENT AUDITOR'S REPORT (continued)

Key audit matters (continued)

3 Revenue recognition of contracts with the Customers

Revenue is an important measure used to evaluate the performance of the company. There is a risk that the revenue is overstated by the company.

Revenue is accounted for when the sales transactions have been completed, when goods are delivered to the customer and all economic risks for the Company have been transferred as a result. Delivery has been completed when goods are paid and transferred to the customer in store, or when goods are paid by the customer and delivered on location.

The amount of recognized revenue as of December 31, 2023 is MNT 147,793,353 thousand (2022: MNT 108,774,221 thousand).

See Note 5 and 34(*Revenue*) of the accompanying financial statements.

Procedure performed by the Auditor:

The auditors performed the audit procedures outlined below to obtain assurance about whether the Company adheres to the proper accounting policy for revenue recognition and the revenue is measured and presented at the net amount less applicable sales discounts estimated and returns.

- Assessed the appropriateness of revenue recognition principles, accounting policy and procedures in accordance with IFRS 15, *Revenue from Contracts with Customers*;
- Performed control and substantive testing while examining the revenue recognized from contracts concluded with customers by sampling based on the supporting documents;
- Checked accuracy of the records of the sales discount and return.
- Checked the sales cycle cut-off to ensure revenue was recognized at the correct reporting period.

4 Initial and subsequent measurement of concessional loans from the Government Agency via commercial banks

In the reporting year, the company signed concessional loan agreement with the Ministry of Food, Agriculture and Light Industry and XAC Bank for "financing of investment and working capital" to support production of food and agriculture. IFRS requires the loan to recognise initially at fair value, based on market rate of interest and the difference between the present value of the loan discounted at the market and the transaction amount to be recorded as government grants.

Procedure performed by the Auditor:

- Examined the purpose of each loan agreement;
- Recalculated each loan's fair value considering market interest rates to ensure that the borrowing and grants are recorded appropriately and checked the accuracy of government grants;
- For each loan agreement, subsequent measurements were examined, including the amount of interest expense reported in the statement of profit and loss and other comprehensive income at the initial market rate to ensure accuracy;

INDEPENDENT AUDITOR'S REPORT (continued)

Key audit matters (continued)

4 Initial and subsequent measurement of concessional loans from the Government Agency via commercial banks (continued)

In addition, the government grant is amortized on a straight-line basis over the loan period. Interest expense is recognised at the initial market rate on effective interest rate method.

As of December 31, 2023, the amount of the loan measured at amortized cost is MNT 18,217,548 thousand (2022: 0).

As of December 31, 2023, the amount of deferred government grant income recognized in the financial statements is MNT 7,735,779 thousand (2022: 0).

See Note 28 to the accompanying financial statements.

Procedure performed by the Auditor (continued):

- Checked whether the amortization of deferred revenue from government grants has been accurately reported in the profit and loss statement;
- The loan agreement's conditions were examined for any non-compliance.

Other information

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

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

INDEPENDENT AUDITOR'S REPORT (continued)

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

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

In preparing the 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the 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 management.

INDEPENDENT AUDITOR'S REPORT (continued)


Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 financial statements, including the disclosures, and whether the 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.


BAYARTSOGZOL L.
УЛААНБААТАР ХОТ
ХТҮ6424 ☎ 9023090985 ☎ 2546442
BDO Audit LLC
Room 1502, Level 15, Union Building B,
Paris street, Sun Road-62,
Sukhbaatar district, Khoroo-1,
Ulaanbaatar, Mongolia

Date: 2024 .04. 12

SUU JSC

Statement of profit or loss and other comprehensive income
for the year ended 31 December 2023

	Note	2023 MNT'000	2022 MNT'000
Revenue from contracts with customers	5	147,793,353	108,774,221
Cost of sales	6	(102,610,200)	(78,902,371)
Impairment reversed gain /(loss)	17/18	(281,104)	809,277
Gross profit		44,902,049	30,681,127
Other income	7	1,389,874	1,231,651
General and administrative expenses	8	(7,995,703)	(5,903,057)
Selling and marketing expenses	9	(13,134,863)	(9,393,519)
Losses on the fair value of biological assets	24	(2,209,084)	(267,778)
Other expenses	11	(360,713)	(303,998)
Profit from operations		22,591,560	16,044,426
Finance income	12	16,917	161,495
Finance expense	12	(5,153,727)	(6,363,393)
Profit before tax		17,454,750	9,842,528
Income tax expense	13	(3,236,532)	(1,506,549)
Profit for the year		14,218,218	8,335,979
Earnings per share			
Basic and diluted earnings per share - MNT	14	41.4	24.29

SUU JSC

Statement of financial position
as at 31 December 2023

	Note	31 December 2023 MNT'000	31 December 2022 MNT'000
Assets			
Current assets			
Inventories	16	22,238,723	21,641,490
Biological assets	24	599,576	638,960
Trade and other receivables	17	5,008,054	3,762,032
Loans to related parties	18	434,393	571,495
Prepayments	19	8,356,802	2,279,634
Cash and cash equivalents	20	15,572,256	2,242,953
Total current assets		52,209,804	31,136,564
Non-current assets held for sale	21	14,700	65,440
Total assets		52,224,504	31,202,004
Non-current assets			
Property, plant and equipment	22	54,942,814	52,633,934
Right-of-use assets	23	741,489	642,710
Biological assets	24	863,525	1,763,738
Intangible assets	25	146,610	69,118
Prepayments	19	12,311,546	1,516,620
Total non-current assets		69,005,984	56,626,120
Total assets		121,230,488	87,828,124

Table continues to the next page

SUU JSC

Statement of financial position
as at 31 December 2023(continued)

	Note	31 December 2023 MNT'000	31 December 2022 MNT'000
Liabilities			
Current liabilities			
Trade and other payables	27	12,066,384	6,493,839
Loans and borrowings	28	26,143,912	22,835,307
Lease liabilities	23	366,543	293,681
Contract liability	5	33,569	412,911
Income tax payable	13	1,376,163	1,234,692
Total current liabilities		39,986,571	31,270,430
Non-current liabilities			
Loans and borrowings	28	24,874,730	18,838,823
Lease liabilities	23	171,770	133,947
Deferred revenue from government grants	26	7,735,779	-
Deferred tax liabilities	13	246,740	122,659
Total non-current liabilities		33,029,019	19,095,429
Total liabilities		73,015,590	50,365,859
Equity			
Share capital	29	34,400	34,400
Additional paid-in capital	29	60,102	60,102
Treasury stock	29	(87)	(89)
Retained earnings	-	48,120,483	37,367,852
Total equity		48,214,898	37,462,265
Total liabilities and equity		121,230,488	87,828,124

SUU JSC

Statement of changes in equity
for the year ended 31 December 2023

	Share capital	Additional paid-in- capital	Treasury stock	Retained earnings	Total equity
	MNT'000	MNT'000	MNT'000	MNT'000	MNT'000
Balance at 01 January 2023	34,400	60,102	(89)	37,367,852	37,462,265
Profit for the year	-	-	-	14,218,218	14,218,218
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive profit for the year	-	-	-	14,218,218	14,218,218
Share capital issued	-	-	2	(2)	-
Dividends declared	-	-	-	(3,465,585)	(3,465,585)
Balance at 31 December 2023	34,400	60,102	(87)	48,120,483	48,214,898

Table continues to the next page

The notes set out on pages 17-90 form an integral part of these financial statements.

SUU JSC

Statement of changes in equity (continued)
for the year ended 31 December 2023

	Share capital	Additional paid-in- capital	Treasury stock	Retained earnings	Total equity
	MNT'000	MNT'000	MNT'000	MNT'000	MNT'000
Balance at 01 January 2022	34,400	49,578	(124)	41,026,358	41,110,212
Profit for the year	-	-	-	8,335,979	8,335,979
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive profit for the year	-	-	-	8,335,979	8,335,979
Share capital issued	-	10,557	2	-	10,559
Dividends declared	-	-	-	(3,161,626)	(3,161,626)
Impact on the business combination of Max Agro LLC (Note 26)	-	-	-	(8,832,859)	(8,832,859)
Reclassified	-	(33)	33	-	-
Balance at 31 December 2022	34,400	60,102	(89)	37,367,852	37,462,265

The notes set out on pages 17-90 form an integral part of these financial statements.

SUU JSC

Statement of cash flows
for the year ended 31 December 2023

	Note	2023 MNT'000	2022 MNT'000
Cash flows from operating activities			
Profit before tax		17,454,750	9,842,528
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment	22	4,795,719	3,228,012
Amortisation of right-of-use assets	23	600,722	573,023
Amortisation of intangible assets	25	15,970	9,568
Gain on disposal of property, plant and equipment	7	(3,202)	(22,049)
Loss on write-off of property, plant and equipment	22/8	10,268	639
Loss on disposal of biological assets		20,883	-
Loss on disposal of non-current assets held for sale	21	10,000	-
Loss from foreign exchange translation	12	258,789	446,360
Loss/(gain) on impairment of receivables	17/18	281,104	(809,277)
Inventory write-off	8	283	-
Government grant income	7/26	(582,130)	-
Interest income	12	(16,917)	(161,495)
Interest expense	12	4,593,798	5,022,654
Loss on fair value of biological assets	24/21	2,209,084	182,212
Abnormal loss of biological assets	24	740,038	176,418
Operating profit before changes in working capital		30,389,159	18,488,593
Increase in inventories		(597,516)	(8,147,347)
Increase in trade and other receivables		(1,527,139)	(1,264,542)
(Increase)/decrease in prepayments		(6,849,621)	3,652,286
Increase/(decrease) in trade and other payables		3,415,027	(1,011,432)
Decrease in contract liabilities		(379,342)	(155,138)
Cash generated from operations		24,450,568	11,562,420
Income taxes paid	13	(2,970,980)	(945,402)
Interest received	12	16,917	161,495
Net cash flows from operating activities		21,496,505	10,778,513

Table continues to the next page

SUU JSC

Statement of cash flows (continued)
for the year ended 31 December 2023

	Note	2023 MNT'000	2022 MNT'000
Cash flows from investing activities			
Purchases of property, plant and equipment	22/33	(15,625,837)	(8,491,230)
Proceeds from sales of property, plant and equipment	22	20,000	251,762
Purchase of intangibles	25	(93,462)	(5,674)
Proceeds from the disposal of non-current assets held for sale	21	-	10,482
Proceeds from the disposal of biological assets		52,024	-
Paid for addition of the right of use assets	23	-	(128,354)
Acquisition to biological assets	24	(2,041,692)	(396,301)
Loans provided to related parties	30	(6,640,720)	(7,242,802)
Collection of loans to related parties	30	6,777,822	12,999,060
Net cash flows used in investing activities		(17,551,865)	(3,003,057)
Cash flows from financing activities			
Proceeds from issue of shares	-	-	10,558
Dividends paid	15	(1,265,932)	(3,161,626)
Proceeds from loans and borrowings	33	49,094,241	29,465,345
Repayment of loans and borrowings	33	(33,064,110)	(32,553,812)
Interest paid on loans and borrowings	33	(4,380,316)	(5,743,879)
Principal paid on lease liabilities	23	(588,816)	(652,525)
Interest paid on lease liabilities	23	(116,207)	(118,202)
Net cash from financing activities		9,678,860	(12,754,141)
Total net cash flows for the year		13,623,500	(4,978,685)
Cash and cash equivalents at beginning of year	20	2,242,953	7,017,492
Exchange losses on cash and cash equivalents	12	(294,197)	204,146
Cash and cash equivalents at end of year	20	15,572,256	2,242,953

Notes supporting statement of cash flows are set out in Note 33.