

FINANCIAL STATEMENTS
for the year ended 31 December 2022
prepared in accordance with IFRS

SUU
Joint Stock Company

**General information
for the year ended 31 December 2022**

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	Bolod M.	Chief Executive Officer
Board of Directors	Ganbaatar D. Tserenjigmed D. Jamiyan D. Soyol - Erdene Ts. Tuvshintugs B. Uyangalynkhua D. Tungalag D. Sukhbold S. Bayar G. Davaalimbe Sh. Mendsaikhan P. 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 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 2022**

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 3-7, 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 2022.

The management is responsible for the preparation of the financial statements that present fairly, the financial position of the Company at 31 December 2022, financial performance, changes in equity and cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) 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 2022 were authorized for issuance by the Company management



**GANBAATAR
DAGVADORJ**
Chairman of the BOD

**BOLOD
MEDRAA**
Chief Executive Officer

**DAVAALIMBE
SHINEBAYAR**
Chief Financial Officer

Date: 2023/04/18

Ulaanbaatar, Mongolia



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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 2022;
- 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 a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022 and 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 (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' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) together with the ethical requirements that are relevant to our audit of the 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 separate financial statements of the current period. These matters were addressed in the context of our audit of the separate 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 IFRSs, 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.

Our procedures include:

- 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, and 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 2022, the amount of current and non-current biological assets is MNT 2,402,698 (2021: nil) thousand.

See Note 24 to the financial statements.

Our procedures include (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;
- Based on the Company's historical data from previous years, 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 IFRSs, 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 2022, the inventory balances amount to MNT 21,641,490 thousand (2021: MNT 12,839,256 thousand).

See Note 16 to the attached separate financial statements.

Our procedures include:

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 provision 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)

Emphasis of Matter

We draw attention to Note 26, Business combination of the subsidiary under common control, to the financial statements. The event stated in Note 26 is the company's annual stockholders' meeting decision on April 29, 2022, to reorganize the company's 100 percent owned subsidiary, Max-Agro LLC, through merger with Suu LLC. The financial report of Max-Agro LLC was combined to parent's financial statements under book-value approach as the cumulative outcome of the company's financial report as of June 30, 2022. These matter has been addressed as part of the audit of the financial accounts in line with local legislation, and our opinion is not modified in respect of this matter.

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.

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 the IFRSs, 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.



INDEPENDENT AUDITOR'S REPORT (continued)

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.
- 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.



INDEPENDENT AUDITOR'S REPORT (continued)

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

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.


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Date: 2023 .04. 18

SUU JSC

Statement of profit or loss and other comprehensive income
for the year ended 31 December 2022

	Note	2022 MNT'000	2021 MNT'000
Revenue from contracts with customers	5	108,774,221	100,397,004
Cost of sales	6	(78,902,371)	(72,825,355)
Impairment reversed gain / (loss)	17/18	809,277	(304,304)
Gross profit		30,681,127	27,267,345
Other income	7	1,231,651	2,422,343
General and administrative expenses	8	(5,903,057)	(4,642,346)
Selling and marketing expenses	9	(9,393,519)	(7,679,906)
Losses on the fair value of biological assets	24	(267,778)	-
Other expenses	11	(303,998)	(133,704)
Profit from operations		16,044,426	17,233,732
Finance income	12	161,495	559,322
Finance expense	12	(6,363,393)	(4,295,589)
Profit before tax		9,842,528	13,497,465
Income tax expense	13	(1,506,549)	(2,683,053)
Profit for the year		8,335,979	10,814,412
Earnings per share			
Basic and diluted earnings per share - MNT	14	24.29	34.41

The notes set out on pages 16-87 form an integral part of these financial statements.

SUU JSC

Statement of financial position
as at 31 December 2022

	Note	31 December 2022 MNT'000	31 December 2021 MNT'000
Assets			
Current assets			
Inventories	16	21,641,490	12,839,256
Biological assets	24	638,960	-
Trade and other receivables	17	3,762,032	2,138,536
Loans to related parties	18	571,495	5,862,888
Prepayments	19	2,279,634	12,250,144
Cash and cash equivalents	20	2,242,953	7,017,492
Total current assets		31,136,564	40,108,316
Non-current assets held for sale	21	65,440	-
Total assets		31,202,004	40,108,316
Non-current assets			
Property, plant and equipment	22	52,633,934	30,649,699
Right-of-use assets	23	642,710	978,197
Biological assets	24	1,763,738	-
Intangible assets	25	69,118	70,036
Prepayments	19	1,516,620	1,700,282
Long-term investment	26	-	16,486,540
Deferred tax assets	13	-	102,399
Total non-current assets		56,626,120	49,987,153
Total assets		87,828,124	90,095,469

Table continues to the next page

SUU JSC

Statement of financial position (continued)
as at 31 December 2022

	Note	31 December 2022 MNT'000	31 December 2021 MNT'000
Liabilities			
Current liabilities			
Trade and other payables	27	6,493,839	2,327,659
Loans and borrowings	28	22,835,307	17,973,928
Lease liabilities	23	293,681	603,948
Contract liability	5	412,911	568,050
Income tax payable	13	1,234,692	898,603
Total current liabilities		31,270,430	22,372,188
Non-current liabilities			
Loans and borrowings	28	18,838,823	26,171,763
Lease liabilities	23	133,947	441,306
Deferred tax liabilities	13	122,659	-
Total non-current liabilities		19,095,429	26,613,069
Total liabilities		50,365,859	48,985,257
Equity			
Share capital	29	34,400	34,400
Additional paid-in capital	29	60,102	49,578
Treasury stock	29	(89)	(124)
Retained earnings	-	37,367,852	41,026,358
Total equity		37,462,265	41,110,212
Total liabilities and equity		87,828,124	90,095,469

The notes set out on pages 16-87 form an integral part of these financial statements.

SUU JSC

Statement of changes in equity
for the year ended 31 December 2022

	Share capital MNT'000	Additional paid-in capital MNT'000	Treasury stock MNT'000	Retained earnings MNT'000	Total equity 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 paid	-	-	-	(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

Table continues to the next page

The notes set out on pages 16-87 form an integral part of these financial statements.

SUU JSC

Statement of changes in equity (continued)
for the year ended 31 December 2022

	Share capital MNT'000	Additional paid-in- capital MNT'000	Treasury stock MNT'000	Retained earnings MNT'000	Total equity MNT'000
Balance at 01 January 2021	34,400	-	(113)	34,556,093	34,590,380
Profit for the year	-	-	-	10,814,412	10,814,412
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive profit for the year	-	-	-	10,814,412	10,814,412
Share capital issued	-	49,578	18	-	49,596
Dividends paid	-	-	-	(4,275,675)	(4,275,675)
Treasury stock purchased	-	-	(29)	(68,472)	(68,501)
Balance at 31 December 2021	34,400	49,578	(124)	41,026,358	41,110,212

The notes set out on pages 16-87 form an integral part of these financial statements.

SUU JSC

Statement of cash flows
for the year ended 31 December 2022

	Note	2022 MNT'000	2021 MNT'000
Cash flows from operating activities			
Profit before tax		9,842,528	13,497,465
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment	22	3,228,012	3,347,367
Amortisation of right-of-use assets	23	573,023	1,135,966
Amortisation of intangible assets	25	9,568	8,725
Gain on sale of property, plant and equipment	22/7	(22,049)	(3,918)
Loss on write-off of property, plant and equipment	22/8	639	108,013
Loss/(gain) from foreign exchange translation	12	446,360	(188,434)
Loss/(gain) on impairment of receivables	17/18	(809,277)	304,304
Inventory write-off	16/8	-	1,533
Interest income	12	(161,495)	(370,888)
Interest expense	12	5,022,654	4,144,378
Loss/(gain) on fair value of biological assets	24/21	182,212	-
Abnormal loss of biological assets		176,418	-
Operating profit before changes in working capital		18,488,593	21,984,511
Increase in inventories		(8,147,347)	(896,403)
(Increase)/decrease in trade and other receivables		(1,264,542)	(357,134)
(Increase)/decrease in prepayments		3,652,286	(6,484,738)
(Increase)/decrease in restricted cash accounts		-	100,334
Increase/(decrease) in trade and other payables		(1,011,432)	130,808
Increase/(decrease) in contract liabilities		(155,138)	522,309
Cash generated from operations		11,562,420	14,999,687
Income taxes paid	13	(945,402)	(2,401,042)
Interest received	12	161,495	179,212
Net cash flows from operating activities		10,778,513	12,777,857

Table continues to the next page

The notes set out on pages 16-87 form an integral part of these financial statements.

SUU JSC

Statement of cash flows (continued)
for the year ended 31 December 2022

	Note	2022 MNT'000	2021 MNT'000
Cash flows from investing activities			
Purchases of property, plant and equipment	22/33	(8,491,230)	(9,333,849)
Proceeds from sales of property, plant and equipment	22	251,762	47,635
Purchase of intangibles	25	(5,674)	(10,596)
Proceeds from the sale of non-current assets held for sale		10,482	-
Acquisition of the right of use	23	(128,354)	-
Capitalization to biological assets	24	(396,301)	-
Loans provided to other parties	18	(7,242,802)	(11,568,895)
Collection of loans to other parties	18	12,999,060	7,169,782
Net cash flows used in investing activities		(3,003,057)	(13,695,923)
Cash flows from financing activities			
Proceeds from issue of shares	-	10,558	49,596
Purchase of stock	-	-	(68,501)
Dividends paid	15	(3,161,626)	(4,275,675)
Proceeds from loans and borrowings	33	29,465,345	41,420,863
Repayment of loans and borrowings	33	(32,553,812)	(27,191,858)
Interest paid on loans and borrowings	33	(5,743,879)	(4,190,860)
Principal paid on lease liabilities	23	(652,525)	(1,186,876)
Interest paid on lease liabilities	23/12	(118,202)	(235,038)
Net cash from financing activities		(12,754,141)	4,321,651
Total net cash flows for the year		(4,978,685)	3,403,585
Cash and cash equivalents at beginning of year	20	7,017,492	3,707,438
Exchange losses on cash and cash equivalents	12	204,146	(93,531)
Cash and cash equivalents at end of year	20	2,242,953	7,017,492

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

The notes set out on pages 16-87 form an integral part of these financial statements.

SUU JSC

Notes to the financial statements for the year ended 31 December 2022

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SUU JSC

Notes to the financial statements (continued) for the year ended 31 December 2022

1. Reporting entity

Suu JSC (the Company) was established in 1958 under the name of Milk Factory, and in 1992 the Company was re-structured into a State-Owned Joint Stock Company. In 2008, the Company was fully privatized and became Joint Stock Company listed on the Mongolian Stock Exchange.

The Company was granted the State Registration Certificate No. 9010001096 (Registration No. 2077108) on 24 February 1992. The State Registration Certificate was re-issued due to the amendments made to the Company's operations, on 30 December 2010.

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.

The list of shareholders and share capital of the Company as of 31 December 2022 as per effective charter of the Company as follows:

Name of shareholders	Ownership %	As at 31 December 2022		
		Number of shares	Par value MNT	Total MNT'000
Jamiyan D.	38.69%	133,103,000	0.1	13,310
Ganbaatar D.	33.06%	113,730,000	0.1	11,373
Uyangalyankhua D.	21.00%	72,240,000	0.1	7,224
Others	7.25%	24,927,000	0.1	2,492
Total	100%	344,000,000		34,400

The Company has neither an ultimate parent nor an ultimate controlling party.

The Company had 558 employees as at 31 December 2022 (2021:524).

2. Basis of preparation

The significant accounting policies adopted in the preparation of the financial statements are set out in Note 34, Summary of significant accounting policies. The policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements are presented in Mongolian Tugrug (MNT), which is also the Company's functional and reporting currency. Amounts are rounded to the nearest thousand, unless otherwise stated.

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and Interpretations (collectively 'IFRSs').

SUU JSC

Notes to the financial statements (*continued*) for the year ended 31 December 2022

2. Basis of preparation (*continued*)

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires Company management to exercise judgment in applying the Company's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in Note 3, *Critical accounting estimates and judgments*.

Basis of measurement

The financial statements have been prepared on a historical cost basis, except for the following items (refer to individual accounting policies for details):

- Biological assets
- Non-current assets held for sale

Changes in accounting policies

(a) *New standards, interpretations and amendments effective from 1 January 2022*

The following amendments are effective for the period beginning 1 January 2022:

- Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- References to Conceptual Framework (Amendments to IFRS 3).

These amendments to various IFRS standards are mandatorily effective for reporting periods beginning on or after 1 January 2022. See the applicable notes for further details on how the amendments affected the Company.

Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)

IAS 37 defines an onerous contract as a contract in which the unavoidable costs (costs that the Group has committed to pursuant to the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

The amendments to IAS 37.68A clarify, that the costs relating directly to the contract consist of both:

- The incremental costs of fulfilling that contract- e.g. direct labour and material; and
- An allocation of other costs that relate directly to fulfilling contracts: e.g. Allocation of depreciation charge on property, plant and equipment used in fulfilling the contract.

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced during the testing phase of a manufacturing facility after it is being constructed but before start of commercial production). The proceeds from selling such samples, together with the costs of producing them, are now recognised in profit or loss.

SUU JSC

Notes to the financial statements (continued)
for the year ended 31 December 2022

2. Basis of preparation (continued)

Changes in accounting policies (continued)

(a) *New standards, interpretations and amendments effective from 1 January 2022 (continued)*

Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 & IAS 41)

- IFRS 1: Subsidiary as a First-time Adopter (FTA)
- IFRS 16: Lease incentives
- IFRS 9: Fees in the '10 per cent' Test for Derecognition of Financial liabilities
- IAS 41: Taxation in Fair Value Measurements

References to Conceptual Framework (Amendments to IFRS 3)

In May 2020, the IASB issued amendments to IFRS 3, which update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

(b) *New standards, interpretations and amendments not yet effective*

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the group has decided not to adopt early.

The following amendments are effective for the period beginning 1 January 2023:

- *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);*
- *Definition of Accounting Estimates (Amendments to IAS 8);*
- *Classification of Liabilities as Current or Non-current (Amendment to IAS 1);*
- *Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12); and*
- *IFRS 17 Insurance Contracts (effective 1 January 2023) - In June 2020, the IASB issued amendments to IFRS 17, including a deferral of its effective date to 1 January 2023.*

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Notes to the financial statements *(continued)* for the year ended 31 December 2022

2. Basis of preparation *(continued)*

Changes in accounting policies (continued)

The following amendments are effective for the period beginning 1 January 2024:

- *IFRS 16 Leases (Amendment - Liability in a Sale and Leaseback)*
- *IAS 1 Presentation of Financial Statements (Amendment - Classification of Liabilities as Current or Non-current)*
- *IAS 1 Presentation of Financial Statements (Amendment - Non-current Liabilities with Covenants)*

3. Critical accounting estimates and judgments

The Company makes certain estimates and assumptions regarding the future. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimates and assumptions

Other

- Impairment of trade receivables - Estimation of expected credit loss (See Note 17)
- Impairment of loans to related parties - Estimation of expected credit loss (See Note 18)
- Estimation of net realizable value of inventories (See Note 16)
- Estimation of current and deferred tax - assessing uncertainty over income tax treatments and recoverability of deferred tax (See Note 13 Income tax)
- Estimation of impairment of non-financial assets - The portion of the asset's book value that exceeds the recoverable amount (See note 22, 23, 25)
- Useful life of depreciable assets - At the end of each reporting period, the Company's management reviews the expected useful lives of depreciable assets, such as right-of-use assets, intangible assets, and property, plant and equipment. (See note 22, 23, 25)
- Determination of lease term for some lease contracts in which the Company is a lessee, including whether the Company is reasonably certain to exercise lessee options (See note 23)
- Determination of the incremental borrowing rate used to measure lease liabilities (See note 23)

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Notes to the financial statements (*continued*) for the year ended 31 December 2022

3. Critical accounting estimates and judgements (*continued*)

Estimates and assumptions (continued)

Fair value measurement

A number of assets included in the Company's financial statements require measurement at, and/or disclosure of, fair value. The fair value measurement of the Company's these assets utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

- *Level 1*: Quoted prices in active markets for identical items (unadjusted)
- *Level 2*: Observable direct or indirect inputs other than Level 1 inputs
- *Level 3*: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

As required by International Financial Reporting Standards, 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.

This fair value estimation requires management to make significant calculations and assumptions, and the measurement will impact directly on the statement of financial position and the statement of profit or loss and other comprehensive income.

The Company measures the following at fair value:

- Non-current assets held for sale (Note 21)
- Biological assets (Note 24)

See the relevant notes for detailed information on fair value measurement of the above items.

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Notes to the financial statements (*continued*) for the year ended 31 December 2022

4. Financial instruments - Risk management

The Company is exposed through its operations to the following financial risks:

- Credit risk
- Interest rate risk
- Foreign exchange risk
- Other market risk, and
- Liquidity risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

(i) Principal financial instruments

The principal financial instruments used by the Company, from which financial instrument risk arises, are as follows:

- Trade and other receivables
- Loans to related parties
- Cash and cash equivalents
- Trade and other payables
- Fixed rate loans and borrowings

SUU JSC

Notes to the financial statements (continued)
for the year ended 31 December 2022

4. Financial instruments - Risk management (continued)

(ii) Financial instruments by category

Financial assets	Fair value through profit or loss		Amortised cost		Fair value through other comprehensive income	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021	31 December 2022	31 December 2021
	MNT'000	MNT'000	MNT'000	MNT'000	MNT'000	MNT'000
Cash and cash equivalents	-	-	2,242,953	7,017,492	-	-
Trade and other receivables	-	-	1,944,118	1,584,451	-	-
Loans to related parties	-	-	571,495	5,862,888	-	-
Total financial assets	-	-	4,758,566	14,464,831	-	-
Financial liabilities						
	Fair value through profit or loss		Amortised cost		Fair value through other comprehensive income	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021	31 December 2022	31 December 2021
	MNT'000	MNT'000	MNT'000	MNT'000	MNT'000	MNT'000
Trade and other payables	-	-	(5,357,465)	(2,037,950)	-	-
Loans and borrowings	-	-	(41,674,130)	(44,145,691)	-	-
Total financial assets	-	-	(47,031,595)	(46,183,641)	-	-

SUU JSC

Notes to the financial statements (*continued*) for the year ended 31 December 2022

4. Financial instruments - Risk management (*continued*)

(iii) Financial instruments not measured at fair value

Financial instruments not measured at fair value includes cash and cash equivalents, trade and other receivables, loans to related parties, trade and other payables, and loans and borrowings.

Due to their short-term nature, the carrying value of cash and cash equivalents, trade and other receivables, and trade and other payables approximates their fair value.

(iv) Financial instruments measured at fair value

The Company did not hold any financial instruments measured at fair value during the reporting period.

General objectives, policies and processes

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function. The Board of Directors has an Audit Committee, a Nomination Committee, and a Remuneration Committee. Under the direction of the Audit Committee, the Company's internal auditors perform unannounced and scheduled audits to monitor its operations and financial records.

The overall objective of the Board of Directors is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below:

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is mainly exposed to credit risk from credit sales and loans to related parties. The Company has a policy of assessing the credit risk, for customers who wish to trade on credit terms, before entering into a contract. This credit risk assessment is used in business operations.

In accordance with the credit policy issued by the Credit Sales Department, the customer's creditworthiness analysis is assessed before offering the Company's standard payment and delivery terms to new customers. Credit risk is managed based on the policies and procedures set by the Company, as well as controls related to credit risk management. In addition, receivables are constantly monitored. At each reporting period, the Company uses the impairment provision matrix to determine whether the trade receivables are impaired. The provision matrix is based on the Company's historical data and aging report. The Company adjusts the provision matrix based on historical data with forward looking calculations. Each reporting day the Company updates the probability level of historical default rates and analyzes future estimates.

SUU JSC

Notes to the financial statements (continued)
for the year ended 31 December 2022

4. Financial instruments - Risk management (continued)

Credit risk (continued)

The Company used the general approach to estimate the expected credit loss for other receivables and loans to related parties. Further disclosures regarding credit risk of trade and other receivables and Loans to related parties, are provided in note 17 and 18.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions.

Cash in bank and short-term deposits

A significant amount of cash is held with the following institutions (based on Standard and Poor's ratings):

	31 December 2022			31 December 2021		
	Rating (Standard & Poor's)	Cash at bank MNT'000	Short-term deposits MNT'000	Rating (Standard & Poor's)	Cash at bank MNT'000	Short-term deposits MNT'000
Trade and Development bank	B3	58,608	-	B3	60,163	-
Golomt bank	B3	403,005	-	B3	75,704	-
Khan bank	B3	529,572	-	B3	342,080	-
Xac bank	B3	1,032,842	23,326	B3	6,313,228	95,719
State bank	B3	64,927	-	B3	100,563	-
Note 20, Cash and cash equivalents		2,088,954	23,326		6,891,738	95,719

Management does not expect any losses from non-performance by the counterparties at the reporting date. For all financial assets to which the impairment requirements have not been applied, the carrying amount represents the maximum exposure to credit loss.

SUU JSC

Notes to the financial statements (continued)
for the year ended 31 December 2022

4. Financial instruments - Risk management (continued)

Market risk

Market risk arises from the Company's use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

Interest rate risk

Interest rate risk is the risk that the fair value or cash flows of financial instruments will fluctuate as a result of changes in market rates.

The Company is exposed to interest rate risk on cash flows from long and short-term loans with fixed interest rates. The Company aims to keep interest-bearing liabilities as low as possible.

During 2022 and 2021 the Company's borrowings were denominated in USD, EUR and MNT.

Amount of interest bearing liabilities and related interest rates are shown below:

	Currency	Annual interest rate	31 December 2022 MNT'000	31 December 2021 MNT'000
Loan 1 - EBRD-Xac bank 154-878	MNT	13.75%	9,860,289	16,433,814
Loan 2 - EBBRD-Xac bank 154-1142	MNT	13.35%	12,869,918	13,674,288
Loan 3 - Xac bank 154-1170	MNT	13.2%	1,765,333	2,648,000
Loan 4 - Xac bank 154-1253	MNT	16.8%	2,857,143	-
Loan 5 - Xac bank 154-3004	MNT	18%	3,880,000	-
Loan 6 - Xac bank ZG5001029952-01	MNT	18%	2,343,149	7,165,040
Loan 7 - Xac bank 3Г5002520490	MNT	14.4%	4,263,036	-
Loan 8 - Crop farming support fund UST-2019/12	USD	2%	476,739	-
Loan 9 - Serac	EUR	2.5%	1,908,196	2,514,335
Loan 10 - Nomin Union SCC	MNT	17.88%	177,664	1,000,000
Loan 10 - Nomin Union SCC - 2	MNT	26%	707,297	-
Total			41,108,764	43,435,477

SUU JSC

Notes to the financial statements (continued)
for the year ended 31 December 2022

4. Financial instruments - Risk management (continued)

Foreign exchange risk

Foreign currency risk is the risk that the fair value of financial instruments will fluctuate as a result of changes in foreign currency rates. This risk arises from foreign currency transactions and recognized assets and liabilities denominated in the foreign currencies. The Company's foreign currency exposure is mainly related to loans and trade liabilities denominated in foreign currency. The Company's policy is to manage its foreign currency financial assets and liabilities using the best available foreign currency exchange rates. Foreign exchange exposures in transactions, currencies other than the Company's functional currency are kept to an acceptable level. As of 31 December, the Company's net exposure to foreign exchange risk was as follows:

At 31 December	MNT ⁽¹⁾		USD		Others ⁽¹⁾		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
	MNT'000	MNT'000	MNT'000	MNT'000	MNT'000	MNT'000	MNT'000	MNT'000
Financial assets								
Cash and cash equivalents	865,718	6,825,264	1,231,685	10,637	145,550	181,591	2,242,953	7,017,492
Trade and other receivables	1,944,118	1,584,451	-	-	-	-	1,944,118	1,584,451
Loans to related parties	571,495	5,862,888	-	-	-	-	571,495	5,862,888
Total financial assets	3,381,331	14,272,603	1,231,685	10,637	145,550	181,591	4,758,566	14,464,831
Total financial liabilities								
Trade and other payables	(4,943,250)	(1,671,632)	(289,151)	(70,643)	(125,064)	(295,675)	(5,357,465)	(2,037,950)
Loans and borrowings ⁽¹⁾	(39,289,195)	(41,631,356)	(476,739)	-	(1,908,196)	(2,514,335)	(41,674,130)	(44,145,691)
Total financial liabilities	(44,232,445)	(43,302,988)	(765,890)	(70,643)	(2,033,260)	(2,810,010)	(47,031,595)	(46,183,641)
Total net exposure	(40,851,114)	(29,030,385)	465,795	(60,006)	(1,887,710)	(2,628,419)	(42,273,029)	(31,718,810)

⁽¹⁾ The loan amount showed in other currencies is the Euro amount of the loan to be repaid by the parent company, Suu JSC.

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Notes to the financial statements *(continued)*
for the year ended 31 December 2022

4. Financial instruments - Risk management *(continued)*

Foreign exchange risk (continued)

The following table presents profit and loss and equity sensitivity to reasonably possible changes in exchange rates applied at the end of the reporting period relative to the functional currency of the Company, with all other variables held constant:

	Impact on profit and loss 2022 MNT'000	Impact on profit and loss 2021 MNT'000
USD strengthening by 20% (2021: 20%)	93,159	(12,001)
USD weakening by 20% (2021: 20%)	(93,159)	12,001
Others strengthening by 20% (2021: 20%)	(377,542)	(525,684)
Others weakening by 20% (2021: 20%)	377,542	525,684

Other market price risk

The Company does not hold any debt or equity instruments to gain from market price fluctuation, therefore, the Company is not subject to market price risk.

Liquidity risk

The liquidity risk arises from the ability of the Company to manage cash flows. Liquidity risk is the risk that the Company will not be able to meet its financial obligation as they become due. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances (or agreed facilities) to meet expected requirements. In order to achieve this goal, the economist of the Company develops monthly cash flow plans and determines cash needs by monitoring actual results and makes plans to place the free funds in term or demand deposit accounts or to obtain additional financing, which they report to the board.

SUU JSC

Notes to the financial statements (continued)
for the year ended 31 December 2022

4. Financial instruments - Risk management (continued)

Liquidity risk (continued)

The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities:

At 31 December 2022	Up to 1 year MNT'000	Between 1 and 2 years MNT'000	Over 2 years MNT'000	Total MNT'000
Trade and other payables	(5,357,465)	-	-	(5,357,465)
Loans and borrowings	(25,842,984)	(13,849,072)	(7,231,655)	(46,923,711)
Lease liabilities	(343,266)	(299,721)	(85,617)	(728,604)
Total	(31,543,715)	(14,148,793)	(7,317,272)	(53,009,780)
At 31 December 2021	Up to 1 year MNT'000	Between 1 and 2 years MNT'000	Over 2 years MNT'000	Total MNT'000
Trade and other payables	(2,037,950)	-	-	(2,037,950)
Loans and borrowings	(21,368,040)	(14,176,656)	(16,633,284)	(52,177,980)
Lease liabilities	(696,392)	(626,201)	-	(1,322,593)
Total	(24,102,382)	(14,802,857)	(16,633,284)	(55,538,523)

SUU JSC

Notes to the financial statements (continued)
for the year ended 31 December 2022

4. Financial instruments - Risk management (continued)

Capital disclosures

The Company monitors 'adjusted capital' which comprises all components of equity (i.e. share capital, additional paid in capital, non-controlling interest, retained earnings, and revaluation reserve) other than amounts in the cash flow hedging reserve.

The Company's objectives when maintaining capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The Company has a loan from the European Bank for Reconstruction and Development (EBRD) and is subject to maintain the net debt-to-capital ratio at 1.3 : 1.0 in the financial statements. If the Company does not maintain capital requirements stated in the loan agreement, the Company is obliged to repay the principal and interest immediately in full or partially. The net debt-capital ratios based on financial statements, at 31 December 2022 and at 31 December 2021 were as follows:

	2022	2021
	MNT'000	MNT'000
Loans and borrowings	41,674,131	44,145,692
Lease liabilities	427,627	1,045,254
Less: Cash and cash equivalents	(2,242,953)	(7,017,492)
Net debt	39,858,805	38,173,454
Total capital	37,462,265	41,110,212
Net debt-to-capital ratio (coefficient)	1.06	0.93

SUU JSC

Notes to the financial statements (continued)
for the year ended 31 December 2022

5. Revenue from contracts with customers

Disaggregation of revenue

The Company operates in Mongolia and the following table sets out the disaggregation of revenue by nature, amount and timing of revenue:

	2022 MNT'000	2021 MNT'000
Primary geographic markets:		
Mongolia	108,774,221	100,397,004
Total	108,774,221	100,397,004
Product types:		
Milk	58,254,785	50,601,480
Yogurt	21,305,231	21,348,969
Products with long life packaging	9,166,340	11,142,117
Ice cream	6,733,454	6,188,384
Curd	3,836,837	3,226,526
Sour cream	3,366,493	1,740,585
Butter	3,022,725	2,483,968
Products with PET packaging	2,171,637	2,521,427
Others	916,719	1,143,548
Total	108,774,221	100,397,004
Contract counterparties:		
End user	74,236,761	67,758,166
Supermarket chains	25,757,895	22,243,149
Contracted vendors	6,730,947	7,085,804
Related parties	2,048,618	3,309,885
Total	108,774,221	100,397,004
Timing of transfer of goods and services:		
Point in time	108,774,221	100,397,004
Over time	-	-
Total	108,774,221	100,397,004

SUU JSC

Notes to the financial statements (continued)
for the year ended 31 December 2022

5. Revenue from contracts with customers (continued)

Performance obligations

Sales of industrially processed milk and dairy products

The Company supplies industrially processed milk and dairy products under contracts with customers, and revenue is recognized when the goods are delivered to the location specified by the customer, since control of goods is considered to have been transferred. Payment terms vary in accordance with the type of contract entered into as follows:

- Supermarket chains - within 7 days after delivery,
- Supermarket chains without lease contracts - between 25th and 30th of each month,
- Small shops - before receiving goods / when confirming order

Sales of goods are returned in the event of factory defects, damage caused by transportation, shipment and delivery, defects in the quality of the goods, expiration of seasonal sales, or if the seller party requests to return the goods. The Company has a policy that sales returns should not exceed 1.5% of the sales value. If sales return exceeds 1.5% of total sales, the relevant salesperson is responsible for the amount. No liability provision for returns is recognized in relation to this since this amount is immaterial.

Discounts are given to wholesale customers based on their total monthly purchase, and no significant estimations or assumptions related to variable consideration are made since discount amounts are not determined until the end of the month.

Contract balances

Contract liabilities arise from advance cash payments from contracts with customers that were not recognized as revenue in the reporting period.

	Contract liabilities	
	2022	2021
	MNT'000	MNT'000
Balance at 1 January	568,050	45,740
Amounts included in contract liabilities that was recognised as revenue during the year	(4,366,109)	(7,897,625)
Cash received in advance of performance and not recognised as revenue during the year	4,597,822	8,442,413
Amounts repaid due to the contract being cancelled	(386,852)	(22,478)
Balance at 31 December	412,911	568,050

SUU JSC

Notes to the financial statements (*continued*)
for the year ended 31 December 2022

5. Revenue from contracts with customers (*continued*)

Practical expedients

The Company elected not to make any adjustments to the effect of the financing component as a practical expedient, as it expects the interval between transfer of the promised goods or services and payment by the customer to be less than one year.

6. Cost of sales

	2022 MNT'000	2021 MNT'000
<i>By product type</i>		
Cost of sales of milk	(41,780,339)	(34,360,430)
Cost of sales of yogurt	(15,571,042)	(16,921,437)
Cost of sales of products with long-life packaging	(8,300,510)	(9,924,042)
Cost of sales of ice cream	(3,723,976)	(3,779,439)
Cost of sales of curd	(2,455,281)	(2,034,604)
Cost of sales of sour cream	(1,953,936)	(918,785)
Cost of sales of products with PET packaging	(1,746,491)	(2,560,059)
Cost of sales of butter	(1,698,052)	(1,178,225)
Cost of sales of other products	(1,672,744)	(1,148,334)
Total cost of sales	(78,902,371)	(72,825,355)

7. Other income

	2022 MNT'000	2021 MNT'000
Other income	359,157	2,239,208
Rental income	850,445	179,217
Gain on disposal of property, plant and equipment	22,049	3,918
Total	1,231,651	2,422,343

SUU JSC

Notes to the financial statements (continued)
for the year ended 31 December 2022

8. General and administrative expenses

	2022 MNT'000	2021 MNT'000
Wages and salaries	(2,401,352)	(2,091,934)
Compensation and bonus expenses	(173,239)	(196,324)
Social security contributions	(367,144)	(350,956)
Depreciation of property, plant and equipment	(1,212,197)	(740,713)
Business trip expense	(135,481)	(26,580)
Repairs and maintenances	(110,536)	(177,762)
Supply material expenses	(114,150)	(75,343)
Utility expense	(103,538)	(83,611)
Employment protection expenses	(63,226)	(29,710)
Fuel and transportation expenses	(56,831)	(37,883)
Rental expense (Note 22)	(48,665)	(8,973)
Professional service fees	(47,609)	(124,016)
Insurance expense	(35,353)	(19,145)
Telecommunication expenses	(33,602)	(20,552)
Training expenses	(11,133)	(27,380)
Write-off of property, plant and equipment	(639)	(108,013)
Inventories written-off	-	(1,533)
Other expenses	(988,362)	(521,918)
Total	(5,903,057)	(4,642,346)

9. Selling and marketing expenses

	2022 MNT'000	2021 MNT'000
Wages and salaries	(4,010,504)	(2,616,471)
Social security contributions	(532,522)	(364,376)
Advertising expenses	(2,281,484)	(1,460,118)
Rental expense (Note 22)	(896,909)	(997,330)
Depreciation of property, plant and equipment	(715,257)	(1,287,719)
Fuel expenses	(558,789)	(378,606)
Repairs and maintenances	(178,796)	(117,225)
Insurance expense	(72,572)	(3,131)
Supply material expenses	(16,777)	(114,486)
Fees for services performed by others	-	(27,160)
Other expenses	(129,909)	(313,284)
Total	(9,393,519)	(7,679,906)

SUU JSC

Notes to the financial statements (*continued*)
for the year ended 31 December 2022

10. Employee benefit expenses

	2022 MNT'000	2021 MNT'000
Employee benefit expenses (including directors) comprise:		
Wages and salaries	(6,411,856)	(4,708,405)
Compensation and bonus expenses	(173,239)	(196,324)
Social security contributions	(899,666)	(715,332)
Fees for services performed by others	-	(27,160)
Total	(7,484,761)	(5,647,221)

Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including the chief executive officer of the Company listed on page 1.

	2022 MNT'000	2021 MNT'000
Salary	(209,463)	(199,361)
Compensation and bonus expenses	(129,416)	(27,041)
Social security contributions	(44,570)	(30,596)
Total	(383,449)	(256,998)

11. Other expenses

	2022 MNT'000	2021 MNT'000
Penalty and fee expenses	(154,742)	(13,244)
Other non-operating expenses	(130,256)	(120,460)
Donation	(19,000)	
Total	(303,998)	(133,704)

SUU JSC

Notes to the financial statements (*continued*)
for the year ended 31 December 2022

12. Finance income and expense

Recognised in profit or loss:

	2022 MNT'000	2021 MNT'000
Interest income		
Interest received on bank deposits	161,495	370,888
Net foreign exchange gain	-	188,434
Total interest income	161,495	559,322
Finance expense		
Total interest expense on financial liabilities measured at amortised cost	(5,591,827)	(4,028,448)
Less: Capitalized interest expense	687,375	119,108
Net interest expense on financial liabilities measured at amortised cost in profit or loss	(4,904,452)	(3,909,340)
Interest expense on lease liabilities	(118,202)	(235,038)
Bank fee expenses	(91,211)	(151,211)
Net foreign exchange loss	(1,249,528)	-
Total finance expense	(6,363,393)	(4,295,589)
Net finance expense recognised in profit or loss	(6,201,898)	(3,736,267)

The above financial income and expense include the following in respect of assets (liabilities) not at fair value through profit or loss:

	2022 MNT'000	2021 MNT'000
Total interest income on financial assets	161,495	370,888
Total interest expense on financial liabilities	(5,591,827)	(3,909,340)
Net amount in financial instruments	(5,430,332)	(3,538,452)

SUU JSC

Notes to the financial statements (continued)
for the year ended 31 December 2022

13. Income tax

	2022 MNT'000	2021 MNT'000
Balance at 1 January	(898,603)	(704,828)
Current tax expense for the year	(1,281,491)	(2,594,817)
Income taxes paid	945,402	2,401,042
Balance at 31 December	<u>(1,234,692)</u>	<u>(898,603)</u>

In 2022, According to Corporate Income Tax Law of Mongolia, the Company has an obligation to pay the Corporate Income Tax at the rate of 10% of the portion of taxable profits up to MNT 6 billion and 25% of the portion of taxable profits above MNT 6 billion. Reconciliation between the expected and the actual taxation charge is provided below:

	2022 MNT'000	2021 MNT'000
Profit for the year	<u>8,335,979</u>	<u>10,814,412</u>
Income tax expense	1,506,549	2,683,053
Profit before income taxes	<u>9,842,528</u>	<u>13,497,465</u>
Income subject to special rate	(171,309)	(370,888)
Non-taxable income	(76,408)	-
Expenses not deductible for tax purposes	-	696,598
Taxable temporary differences	(1,651,511)	(530,452)
Deductible temporary differences	714,138	40,250
Taxable income at general rate	<u>8,657,438</u>	<u>13,332,973</u>
Tax rate	10%; 25%	10%; 25%
Current tax expense	<u>1,281,491</u>	<u>2,594,817</u>
Income tax expense - at general rate	1,264,360	2,562,857
Income tax expense - at special rate - 10%	17,131	31,960
Deferred tax expense	<u>225,058</u>	<u>88,236</u>
Total income tax expense for the year	<u><u>1,506,549</u></u>	<u><u>2,683,053</u></u>

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Notes to the financial statements (continued)
for the year ended 31 December 2022

13. Income tax (continued)

Estimates and assumptions

No material uncertain tax positions exist as at 31 December 2022. This assessment relies on estimates and assumptions and may involve a series of complex judgments about future events. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact income tax expense in the period in which such determination is made. The Company forecasts their sales for the next five years and, based on the projected sales revenue amounts, the effective tax rate was determined at 18% (2021: 18%). Accordingly, deferred tax asset as of 31 December 2022 is measured at the effective rate, assuming that future deferred tax assets will be realized at 18%.

Recognized in profit or loss:

2022	Opening balance MNT'000	Net changes MNT'000	Closing balance MNT'000
Deferred tax asset/(liability)			
Temporary difference arising from translation of foreign currency payables balances	101,885	79,459	181,344
Temporary difference from depreciation of property, plant and equipment	(51,761)	(290,884)	(342,645)
Temporary difference from impact of lease	45,029	(6,387)	38,642
Other	7,246	(7,246)	-
Total	102,399	(225,058)	(122,659)
2021			
	Opening balance MNT'000	Net changes MNT'000	Closing balance MNT'000
Deferred tax asset/(liability)			
Temporary difference arising from translation of foreign currency payables balances	145,861	(43,976)	101,885
Temporary difference from depreciation of property, plant and equipment	(19,640)	(32,121)	(51,761)
Temporary difference from impact of lease	64,414	(19,385)	45,029
Other	-	7,246	7,246
Total	190,635	(88,236)	102,399

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Notes to the financial statements (*continued*)
for the year ended 31 December 2022

14. Earnings per share

	2022 MNT'000	2021 MNT'000
<i>Numerator</i>		
Profit before tax for the year	9,842,528	13,497,465
Income tax expenses for the year	(1,506,549)	(2,683,053)
Earnings used in diluted EPS	8,335,979	10,814,412
<i>Denominator</i>		
Weighted average number of shares used in basic EPS	343,180,038	314,294,052
Weighted average number of shares used in diluted EPS	343,180,038	314,294,052
Basic and diluted earnings per share - MNT	24.29	34.41

15. Dividends

	2022 MNT'000	2021 MNT'000
Final dividend of MNT 4.62 (2021: MNT 7.36) per ordinary share proposed and paid during the year relating to the previous year's results	1,583,557	2,522,722
Interim dividend of MNT 4.60 (2021: MNT 5.14) per ordinary share proposed and paid during the year	1,578,069	1,752,953
Total	3,161,626	4,275,675

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Notes to the financial statements (continued)
for the year ended 31 December 2022

16. Inventories

	31 December 2022 MNT'000	31 December 2021 MNT'000
Raw materials	8,492,356	3,773,178
Semi-finished goods	4,034,022	1,035,710
Packaging materials	3,279,662	3,235,675
Spare parts	2,545,143	1,985,383
Finished goods	1,687,045	1,342,130
Inventory in transit	1,254,601	987,076
Supply materials	384,240	520,205
Allowance for impairment of inventories	(35,579)	(40,101)
Total	21,641,490	12,839,256

The movement in the allowance for impairment of inventories as of 31 December 2022 and 2021 is as follows:

	2022 MNT'000	2021 MNT'000
Balance at 01 January	(40,101)	(40,346)
Increased for the year	-	-
Recovery of provision ⁽³⁾	4,522	245
Balance at 31 December	(35,579)	(40,101)

⁽³⁾ - In the reporting period, MNT 4,522 thousand (2021: MNT 245 thousand) worth of impaired spare parts were used to repair industrial equipment. In the previous year, a total of MNT 1,533 thousand of inventory were not transferred through inventory impairment account, instead they were written-off directly. See the note 8, General and administrative expenses.

The amount is MNT 654,888 thousand was added to the inventories account due to the business combination of Max-Agro LLC on June 30 of the reporting year. (Note 26)

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Notes to the financial statements (continued)
for the year ended 31 December 2022

17. Trade and other receivables

	Ref	31 December 2022 MNT'000	31 December 2021 MNT'000
Trade receivables		1,868,754	1,496,953
Trade receivables from related parties ⁽⁴⁾		20,260	208,951
Less: provision for impairment of trade receivables	(i)	(122,849)	(223,023)
Trade receivables - net		1,766,165	1,482,881
Other receivables from related parties ⁽⁵⁾		138,269	6,703
Other receivables		265,499	94,867
Less: provision for impairment of other receivables	(ii)	(225,815)	-
Total financial assets other than cash and cash equivalents classified as amortised cost		1,944,118	1,584,451
Taxes receivable		1,742,874	554,085
Other receivable		75,040	-
Total trade and other receivables		3,762,032	2,138,536

⁽⁴⁾ Receivables from related parties arose from sales of dairy products. (Note 30, Related party transactions)

⁽⁵⁾ Receivables from related parties arose from sales of fixed assets. (Note 30, Related party transactions)

The carrying value of trade and other receivables classified at amortised cost approximates fair value.

The net amount is MNT13,369 thousand was added to the trade and other receivables account due to the business combination of Max-Agro LLC on June 30 of the reporting year. (Note 26)

(i) Expected credit loss from trade receivables

The Company applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses on a collective basis, trade receivables and contract assets are grouped based on similar credit risk and aging.

For each reporting period, the Company uses the impairment provision matrix to determine whether the trade receivables are impaired. The provision matrix is based on the Company's historical data and aging report. The Company adjusts the provision matrix based on historical data with future expected estimates. For every reporting period, the historical probability of default rates and forward looking estimates are updated.

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Notes to the financial statements (*continued*)
for the year ended 31 December 2022

17. Trade and other receivables (*continued*)

The lifetime expected loss provision for trade receivables as at 31 December 2022 is as follows:

At 31 December 2022	0-30 days overdue MNT'000	31-90 days overdue MNT'000	91-365 days overdue MNT'000	More than 365 days overdue MNT'000	Total MNT'000
Expected loss rate	0.06%	0.15%	67.19%	100.00%	
Gross carrying amount	1,260,957	453,463	162,181	12,413	1,889,014
Loss provision	804	661	108,971	12,413	122,849

At 31 December 2021	0-30 days overdue MNT'000	31-90 days overdue MNT'000	91-365 days overdue MNT'000	More than 365 days overdue MNT'000	Total MNT'000
Expected loss rate	0.07%	0.16%	100.00%	100.00%	
Gross carrying amount	1,283,574	200,515	152,824	68,991	1,705,904
Loss provision	889.61	318.00	152,824	68,991	223,023

Movements in the impairment allowance for trade receivables are as follows:

	2022 MNT'000	2021 MNT'000
At 01 January	(223,023)	(319,938)
Increase during the year	-	-
Unused amounts reversed	100,174	96,915
At 31 December	(122,849)	(223,023)

SUU JSC

Notes to the financial statements (continued)
for the year ended 31 December 2022

17. Trade and other receivables (continued)

(ii) Provision for impairment of other receivables and receivables from related parties

The Company estimates the expected credit loss of loans to related parties and other receivables based on the IFRS 9's general approach, and whether there is a significant increase in credit risk. Based on the Company's internal assessment system and the classification of year-end receivables balances, the quality of the loans provided and the amount of credit risk are calculated.

At 31 December	Stage 1 MNT'000	Stage 2 MNT'000	Stage 3 MNT'000	2022 Total MNT'000	2021 Total MNT'000
Internal grading					
Good	100,272	-	-	100,272	101,570
Normal	-	50,257	-	50,257	-
Bad	-	-	253,239	253,239	-
Total other receivables	100,272	50,257	253,239	403,768	101,570
Impairment loss provision	-	-	(225,815)	(225,815)	-
Total net receivables	100,272	50,257	27,424	177,953	101,570

Movements in the impairment allowance for other receivables are as follows:

	2022 MNT'000	2021 MNT'000
At 01 January	-	-
Increase during the year	-	-
Unused amounts reversed	244,239	-
Addition on business combination of Max Agro LLC	(470,054)	-
At 31 December	(225,815)	-

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Notes to the financial statements (continued)
for the year ended 31 December 2022

18. Loans from related parties

	Ref	31 December 2022 MNT'000	31 December 2021 MNT'000
Loan receivables from related parties		571,495	6,136,076
Less: provision for impairment of loan receivables	(iii)	-	(464,864)
Loan receivables - net		571,495	5,671,212
Interest receivables		-	191,676
Total financial assets other than cash and cash equivalents classified as amortised cost		571,495	5,862,888

(iii) Provision for impairment of loans to related parties

The Company estimates the expected credit loss of loans to related parties based on the IFRS 9's general approach, and whether there is a significant increase in credit risk

At 31 December	Stage 1 MNT'000	Stage 2 MNT'000	Stage 3 MNT'000	2022 Total MNT'000	2021 Total MNT'000
Internal grading					
Good	570,495	-	-	570,495	1,408,977
Normal	-	-	1,000	1,000	4,918,775
Bad	-	-	-	-	-
Total other receivables	570,495		1,000	571,495	6,327,752
Provision for impairment	-	-	-	-	(464,864)
Net loan receivables	570,495		1,000	571,495	5,862,888

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Notes to the financial statements (continued)
for the year ended 31 December 2022

18. Loans from related parties (continued)

As at 31 December 2022, movements in the impairment provision of receivables from related parties and loan receivables from related parties are as follows:

	2022 MNT'000	2021 MNT'000
At 01 January	<u>(464,864)</u>	<u>(63,645)</u>
Increase during the year	-	(401,219)
Unused amounts reversed	464,864	-
At 31 December	<u>-</u>	<u>(464,864)</u>

19. Prepayments

	31 December 2022 MNT'000	31 December 2021 MNT'000
Prepaid expenses ⁽⁶⁾	709,537	574,780
Prepayments to vendors ⁽⁷⁾	1,400,109	5,081,180
Prepayment for purchase of property, plant and equipment ⁽⁷⁾	169,988	4,226,084
Prepayments to related parties for the acquisition of property, plant and equipment	-	2,368,100
Total prepayments and advances	<u>2,279,634</u>	<u>12,250,144</u>
Add: Non-current portion ⁽⁸⁾	1,516,620	1,700,282
Total prepayments and advances	<u>3,796,254</u>	<u>13,950,426</u>

⁽⁵⁾ - These expenses include prepayments for business trips, insurance, lease expenses and advances.

⁽⁶⁾ - Advance payments to suppliers in relation to acquisition of inventories and non-current assets, which are expected to be recovered by obtaining inventories and services.

⁽⁷⁾ - Prepayment for the construction of a warehouse paid to a related party. See Note 30, Related party transactions. (Note 33 Supporting Notes to the Statement of Cash Flows)

⁽⁸⁾ - The amount recorded in the non-current section of the prepaid account represents the amount of prepaid expenses that will be amortized over a period of more than 1 year related to the acquisition of the contract with the company's buyer.

No impairments to the prepayment balances were identified at the end of the reporting period.

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Notes to the financial statements (*continued*)
for the year ended 31 December 2022

20. Cash and cash equivalents

	31 December 2022 MNT'000	31 December 2021 MNT'000
Cash on hand	130,673	30,035
Cash in bank	2,088,954	6,891,738
Cash in bank short-term deposits ⁽⁹⁾	23,326	95,719
Total	2,242,953	7,017,492

⁽⁹⁾ The Company entered into a deposit agreement on 15 October 2022 with Xac bank for a term of 3 months and the interest rate of the deposit is 7.4% per annum.

As at 31 December, the Company's cash and cash equivalents denominated in original currency are as follows:

	31 December 2022 MNT'000	31 December 2021 MNT'000
MNT	865,718	6,825,264
USD	1,231,685	10,637
EUR	139,381	108,053
CNY	5,910	-
RUB	259	73,538
Total	2,242,953	7,017,492

21. Non-current assets held for sale

General definition

According to Resolution No. 05 of the Company's Board of Directors dated 17 August 2020, some of the biological assets with reduced productivity and non-recoverable diseases were determined to be sold and to be written-off, from which the following were classified as held for sale as at 31 December 2022.

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Notes to the financial statements (continued)
for the year ended 31 December 2022

21. Non-current assets held for sale (continued)

Assets held for sale

In the financial statements as of 31 December, assets classified as held for sale are as follows:

Biological asset	Head count	2022 Fair value MNT'000
Additions on the business combination of Max Agro LLC (Note26)	33	77,947
Sold	(6)	(10,482)
Reclassified	1	350
Losses on the fair value of non-current assets held for sale	-	(2,375)
Total assets held for sale	28	65,440

Impairment loss

When classifying non-current biological assets as non-current assets held for sale, the impairment loss of MNT 8,196 thousand arose from the lower of fair value less cost to sell, and the carrying amount. The impairment loss is recognized and reflected in loss on the fair value of biological asset.

Fair value measurement

The fair value of biological assets held for sale is classified as a Level 3 unobservable fair value input.

The following is a summary of the valuation techniques used to determine the fair value of an asset held for sale, and the significant unobservable input:

Valuation technique	Significant unobservable input
Net present value method of cash flows (Income approach) Net present value method is an approach that calculates the current value of an asset based on its future net cash flows.	The fair value of cash inflows and outflows of per unit was calculated by discounting the net cash flow at the weighted average cost of the company's capital (15.02%). Based on historical data from previous years, the average milk producing time was estimated at 62%, and the annual milk yield per cow at 3,650 liters.

There was no change in valuation techniques during the reporting period. The fair value measurement is based on the best assumption of the above, which may differ from actual consumption.

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Notes to the financial statements (continued)
for the year ended 31 December 2022

22. Property, plant and equipment

(i) Cost	Buildings MNT'000	Furniture and fixtures MNT'000	Computers and its accessories MNT'000	Vehicles MNT'000	Plant and equipment MNT'000	Construction in process (10) MNT'000	Total MNT'000
At 1 January 2021	7,805,649	2,118,054	388,122	5,213,105	24,217,925	2,396,941	42,139,796
Additions	5,504,087	59,526	71,003	1,027,832	730,159	2,060,350	9,452,957
Reclassified	344,333	-	-	55,616	2,098,372	(2,498,321)	-
Transfers	-	(7,236)	(550)	(132,189)	(797,695)	-	(937,670)
Write-offs	-	-	(2,509)	(359,419)	-	-	(361,928)
Disposals	-	-	-	-	-	-	-
At 31 December 2021	13,654,069	2,170,344	456,066	5,804,945	26,248,761	1,958,970	50,293,155
Additions	351,595	21,440	135,011	4,920,535	524,445	9,819,763	15,772,789
Addition on the business combination of Max Agro LLC (Note 26)	8,624,152	67,837	27,612	77,889	4,148,306	1,173,970	14,119,766
Reclassified	8,938	-	-	-	2,939,366	(2,948,304)	-
Write-offs	-	(2,720)	-	-	(2,555,333)	-	(2,558,053)
Disposals	-	(2,302)	(7,362)	(611,735)	(144,664)	-	(766,063)
At 31 December 2022	22,638,754	2,254,599	611,327	10,191,634	31,160,881	10,004,399	76,861,594

Table continued to the next page

SUU JSC

Notes to the financial statements (continued)
for the year ended 31 December 2022

22. Property, plant and equipment (continued)

(ii) Accumulated depreciation	Buildings MNT'000	Furniture and fixtures MNT'000	Computers and its accessories MNT'000	Vehicles MNT'000	Plant and equipment MNT'000	Construction in process ⁽¹⁰⁾ MNT'000	Total MNT'000
At 01 January 2021	(2,022,406)	(945,946)	(302,817)	(2,035,043)	(12,137,745)	-	(17,443,957)
Depreciation	(231,966)	(191,196)	(54,108)	(546,241)	(2,323,856)	-	(3,347,367)
Write-offs	-	6,691	550	113,452	708,964	-	829,657
Disposals	-	-	482	317,729	(13,752,637)	-	318,211
At 31 December 2021	(2,254,372)	(1,130,451)	(355,893)	(2,150,103)	(2,323,856)	-	(19,643,456)
Depreciation	(574,620)	(188,815)	(21,226)	(648,041)	(1,795,310)	-	(3,228,012)
Addition on the business combination of Max Agro LLC (Note 26)	(2,222,646)	(48,924)	(26,037)	(41,197)	(2,111,152)	-	(4,449,956)
Reclassified	(4,766)	-	-	-	4,766	-	-
Write-offs	-	2,087	-	-	2,555,327	-	2,557,414
Disposals	-	1,932	7,362	424,646	102,410	-	536,350
At 31 December 2022	(2,254,372)	(1,364,171)	(395,794)	(2,414,695)	(14,996,596)	-	(24,227,660)
(iii) Net book value							
At 01 January 2021	5,783,243	1,172,108	85,305	3,178,062	12,080,180	2,396,941	24,695,839
At 31 December 2021	11,399,697	1,039,893	100,173	3,654,842	12,496,124	1,958,970	30,649,699
At 31 December 2022	17,582,350	890,428	215,533	7,776,939	16,164,285	10,004,399	52,633,934

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Notes to the financial statements (*continued*) for the year ended 31 December 2022

22. Property, plant and equipment (*continued*)

⁽¹⁰⁾ - The carrying value of construction in progress account represents the accumulated costs of factory equipment or production lines that are not yet ready for use and the amount of buildings under construction. When an asset is fully constructed and becomes available for use, the asset will be depreciated over its useful life.

The Company has pledged its own fixed assets as collateral for loans and there is no indication of any impairment related to these pledged assets. For a detailed list of pledged assets, see Note 28, Loans and Liabilities

Interest capitalized during the year amounted to MNT 687,375 thousand (2021: MNT 119,108 thousand). Note 12 and 33

23. Leases

Nature of leasing activities (in the capacity as lessee)

The Company leases its office space in Ulaanbaatar and pays a fixed rent every month. On 1 January 2019, the Company assessed its lease agreement for office space entered into with Max Impex LLC, a related party of the Company for use in the Company's operations. The Company has adopted IFRS 16 on this lease, assessed the contract term for 2 years and recognized the right-of-use asset and lease liability.

The Company operates under a lease of retail space in large supermarket chains, which is one of its main sources of operating income. The lease agreements are renewed annually, however since it is a major source of revenue for the Company, the Company has adopted IFRS 16 on this lease from 1 January 2019, assessed the contract term to be for 2 years and recognized the right-of-use asset and lease liability. From 1 January 2021, management of the Company amended the lease term to extend the lease for another 2 years, and recognized lease liabilities and right-of-use assets. The lease term and the lease payments were amended in the reporting period, and the leases were reassessed on the date of this amendment. Lease payments consist of both fixed and variable rates. For leases with fixed rate, it is recognized at its initial measurement. For leases with variable rates that do not depend on rates or indexes, they are recognized in profit or loss whenever the expense is incurred.

The Company owns certain land possession rights in order to operate. Land payment agreements were made with the local land authorities according to the land possession certificate. The right-of-use assets and the lease liabilities are recorded as the present value of future payments in accordance with these agreements.

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Notes to the financial statements (continued)
for the year ended 31 December 2022

23. Lease (continued)

Right-of-use assets

	Land possession rights MNT'000	Office building MNT'000	Commercial space MNT'000	Total MNT'000
At 1 January 2021	218,642	585,184	954,393	1,758,219
Additions	10,773	-	155,763	166,536
Amortization	(52,727)	(292,658)	(790,581)	(1,135,966)
Effect of modification to lease terms	-	-	189,408	189,408
At 31 December 2021	176,688	292,526	508,983	978,197
Additions	128,354	-	-	128,354
Addition on business combination of Max Agro LLC (Note 26)	97,581	-	-	97,581
Amortization	(19,668)	(292,425)	(260,930)	(573,023)
Effect of modification to lease terms	-	-	11,601	11,601
At 31 December 2022	382,955	101	259,654	642,710

Lease liabilities

	Land possession rights MNT'000	Office building MNT'000	Commercial space MNT'000	Total MNT'000
At 1 January 2021	171,742	587,211	1,117,233	1,876,186
Additions	10,773	-	155,763	166,536
Interest expenses	26,331	70,175	138,532	235,038
Effect of modification to lease terms (Note 26)	-	-	189,408	189,408
Lease payments	(31,491)	(342,000)	(1,048,423)	(1,421,914)
At 31 December 2021	177,355	315,386	552,513	1,045,254
Addition on business combination of Max Agro LLC	23,298	-	-	23,298
Interest expenses	27,188	26,321	64,693	118,202
Lease payments	(32,711)	(341,707)	(396,309)	(770,727)
Effect of modification to lease terms	-	-	11,601	11,601
At 31 December 2022	195,130	-	232,498	427,628

SUU JSC

Notes to the financial statements (*continued*)
for the year ended 31 December 2022

23. Lease (*continued*)

Showing the portion of short-term and long-term lease liability balances at the end of reporting years:

	31 December 2022 MNT'000	31 December 2021 MNT'000
Total lease liabilities	<u>427,628</u>	<u>1,045,254</u>
Less: Long-term portion	133,947	441,306
Short term portion	<u>293,681</u>	<u>603,948</u>
Other lease disclosures		
	2022 MNT'000	2021 MNT'000
Short-term lease expense	(48,666)	(326,938)
Expense relating to variable lease payments not included in the measurement of lease liabilities	(896,908)	(679,365)
Total	<u>(945,574)</u>	<u>(1,006,303)</u>

24. Biological assets

Definition of biological assets

The Company runs a livestock farm with Holstein breed dairy cows, four seasons a year in Mandal soum, Selenge province, supplying 5% of Suu JSC's total milk needs. At the end of the reporting year, the farm had a total of 415 cattle, of which 269 were cows and 146 were calves. Cattle aged 0-2 years are called calves and are classified as current biological assets. Bull calves are sold. Milking cows over 2 years of age are registered in the main herd and classified as non-current biological asset.

When new calves are born, and at the end of each reporting period, biological assets are measured at fair value less costs to sell. Expenses related to the herding of biological assets during the year are accrued and capitalized to the carrying amount of biological assets. The difference between the carrying amount and the fair value of the asset is recognized in statement of profit or loss and other comprehensive income at the end of each reporting period, as a gain/(loss) on fair value of biological assets.

Total output of agricultural products generated from biological assets was 560,350 liters.

There is no obligation to develop or acquire biological assets. There are no biological assets pledged as collateral for any liabilities.

SUU JSC

Notes to the financial statements (*continued*)
for the year ended 31 December 2022

24. Biological asset (*continued*)

Movements of biological assets are as follows:

Current biological assets	head count	2022 Fair value (Stage 3) MNT'000
Balance at 1 January	-	-
Addition on the business combination of Max Agro LLC (Note26)	133	584,145
Offspring received	45	85,566
Capitalization of costs	-	170,500
Ageing	(30)	(263,340)
Disposal and operating expense	(29)	(37,972)
Balance at 31 December	119	538,899
Gain on the fair value of biological assets Classified as biological assets held for sale	- (1)	100,411 (350)
Balance at 31 December	118	638,960
Non-current biological assets	head count	2022 Fair value (Stage 3) MNT'000
Balance at 1 January	-	-
Addition on the business combination of Max Agro LLC (Note26)	260	1,778,857
Capitalization of costs	-	225,801
Aged	30	263,340
Disposal and operating expense	(21)	(138,446)
Balance at 31 December	269	2,129,552
Losses on the fair value of biological assets	-	(365,814)
Balance at 31 December	269	1,763,738

SUU JSC

Notes to the financial statements (*continued*)
for the year ended 31 December 2022

25. Intangible assets

<i>(i) Cost</i>	Software MNT'000
At 01 January 2021	222,160
Additions - externally acquired	10,596
At 31 December 2021	232,756
Additions - externally acquired	5,674
Addition through the business combination of Max Agro LLC (Note26)	2,976
Write-off	(147,779)
At 31 December 2022	93,627
 <i>(ii) Accumulated amortization</i>	 Software MNT'000
At 01 January 2021	(153,995)
Amortization	(8,725)
At 31 December 2021	(162,720)
Amortization	(9,568)
Write-off	147,779
At 31 December 2022	(24,509)
 <i>(iii) Net book value</i>	
At 01 January 2021	68,165
At 31 December 2021	70,036
At 31 December 2022	69,118

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**Notes to the financial statements (continued)
for the year ended 31 December 2022**

26. Business combination of the subsidiary

During the reporting year, at the annual meeting of the Company's shareholders, it was decided to reorganize Max-Agro LLC, a 100% owned subsidiary company, by acquiring entity on June 30, 2022. Prior to this merger, Suu JSC was an entity that controlled 100% of Max Agro LLC and the company did not have any new business or operational channels due to the merger.

This reorganization of the company is not a business combination under IFRS 3, but a business combination under common control, and the book-value method was used. When Max-Agro LLC was merged to Suu JSC, it purchased the net assets of Max Agro LLC as of June 30, 2022 with netting off its long-term investment against subsidiary's share capital and net difference was effected to the retained earnings.

As of June 30, 2022 with this event, the net assets of Max-Agro LLC are as follows.

At 30 June 2022	Account Balance MNT'000
Assets	
Inventory	654,888
Trade and other receivables	13,369
Prepayment	92,299
Cash and cash equivalent	1,174
Non-current assets held for sale	77,947
Property, plant and equipment	9,669,810
Right-of-use assets	97,581
Intangible assets	2,976
Biological assets	2,363,002
Total assets	<u>12,973,046</u>
Trade and other payables	(4,858,448)
Loans and borrowings	(437,619)
Lease liabilities	(23,298)
Total liabilities	<u>(5,319,365)</u>
Net assets	<u>7,653,681</u>
Long term investment	<u>(16,486,540)</u>
Effect on Equity	<u>(8,832,859)</u>

SUU JSC

Notes to the financial statements (*continued*)
for the year ended 31 December 2022

27. Trade and other payables

	31 December 2022 MNT'000	31 December 2021 MNT'000
Trade payables	2,170,936	1,411,343
Salary payables	786,001	380,571
Other payables	353,396	128,984
Payables to related parties ⁽¹¹⁾	1,986,124	53,375
Collateral payable ⁽¹²⁾	61,008	63,677
Total financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost	5,357,465	2,037,950
Tax payables	600,482	289,709
SI Payables	279,910	-
Dividend payables	255,982	-
Total trade and other payables	6,493,839	2,327,659

The carrying value of trade and other payables classified as financial liabilities measured at amortised cost approximates fair value.

⁽¹¹⁾ - Payables to related parties usually arise from the performance of work or services under agreements related to an investment activity. See note 30, Related party transactions for details.

⁽¹²⁾ - These amounts represent the amount of asset pledged under a cash collateral agreement with a seller. These payables are interest-free and has no repayment period.

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Notes to the financial statements (continued)
for the year ended 31 December 2022

28. Loans and borrowings

	Ref	At 31 December 2022		At 31 December 2021	
		Fair value MNT'000	Book value MNT'000	Fair value MNT'000	Book value MNT'000
Non-Current					
Secured:					
Loan 1 - EBRD-Xac bank 154-878	(i)	3,286,763	3,286,763	9,860,289	9,860,289
Loan 2 - EBRD-Xac bank 154-1142	(ii)	9,652,439	9,652,439	12,869,918	12,869,918
Loan 3 - Xac bank 154-1170	(iii)	882,667	882,667	1,765,333	1,765,333
Loan 4 - Xac bank 154-1253	(iv)	1,142,857	1,142,857	-	-
Loan 5 - Xac bank 154-3004	(v)	2,920,000	2,920,000	-	-
Loan 9 - Serac		954,097	954,097	1,676,223	1,676,223
Total non-current loans and borrowings		18,838,823	18,838,823	26,171,763	26,171,763
Current					
Secured:					
Loan 1 - EBRD-Xac bank 154-878	(i)	6,573,526	6,573,526	6,573,526	6,573,526
Loan 2 - EBRD-Xac bank 154-1142	(ii)	3,217,480	3,217,480	804,370	804,370
Loan 3 - Xac bank 154-1170	(iii)	882,667	882,667	882,667	882,667
Loan 4 - Xac bank 154-1253	(iv)	1,714,286	1,714,286	-	-
Loan 5 - Xac bank 154-3004	(v)	960,000	960,000	-	-
Loan 6 - Xac bank 3F5001029952-01	(vi)	2,343,149	2,343,149	7,165,040	7,165,040
Loan 7 - Xac bank 3F5002520490	(vii)	4,263,036	4,263,036	-	-
Loan 8 - Crop Farming Support Fund	(viii)	476,739	476,739	-	-
Loan 9 - Serac	(ix)	954,098	954,098	838,112	838,112
Unsecured:					
Loan 10 - Nomin Union SCC	(x)	177,664	177,664	1,000,000	1,000,000
Loan 10 - Nomin Union SCC	(x)	707,296	707,296	-	-
Accrued interest payables		565,366	565,366	710,213	710,213
Total current loans and borrowings		22,835,307	22,835,307	17,973,928	17,973,928
Total loans and borrowings		41,674,130	41,674,130	44,145,691	44,145,691

The carrying amount and fair value of the company's loans are similar.

SUU JSC

Notes to the financial statements (continued)
for the year ended 31 December 2022

28. Loans and borrowings (continued)

The currency profile of the Company's loans and borrowings is as follows:

	Currency	Annual interest rate %	31 December 2022 MNT'000	31 December 2021 MNT'000
Loan 1 - EBRD-Xac 154-878	MNT	13.75%	9,860,289	16,433,815
Loan 2 - EBRD-Xac bank 154-1142	MNT	13.35%	12,869,918	13,674,288
Loan 3 - Xac bank 154-1170	MNT	13.20%	1,765,333	2,648,000
Loan 4 - Xac bank 154-1253	MNT	16.80%	2,857,143	-
Loan 5 - Xac bank 154-3004	MNT	18.00%	3,880,000	-
Loan 6 - Xac bank MNT ZG5001029952-01	MNT	18%	2,343,149	7,165,040
Loan 7 - Xac bank 3Г5002520490	MNT	14%	4,263,036	-
Loan 8 - Crop Farming Support Fund	USD	2%	476,739	-
Loan 9 - Serac	EUR	2.50%	1,908,196	2,514,335
Loan 10 - Nomin Union SCC	MNT	18%	177,664	1,000,000
Loan 10 - Nomin Union SCC-2	MNMT	26%	707,297	-
Accrued interest payables	-	-	565,366	710,213
Total			41,674,130	44,145,691

Bank and other loans

(i) Loan 1 - EBRD - Xac bank 154-878:

Suu JSC entered into a loan agreement with XacBank to obtain a loan not exceeding USD 12 million or amounting to MNT 26,294,103 thousand, which is to be financed by the EBRD, on 4 February 2019. The loan was obtained to finance main business activities and the interest rate was reduced from 15.05% per annum to 13.75% in the reporting year or on 31 May 2022. The loan will be repaid by 15 April 2024, and as of 31 December 2022, the outstanding loan balance is MNT 9,860,289 thousand.

SUU JSC

Notes to the financial statements (continued)
for the year ended 31 December 2022

28. Loans and borrowings (continued)

Bank and other loans (continued)

Collateral information:

Name of collateral	Tranche	Type of assets	Owner	Value
				MNT'000'000
Expansion equipment for dairy factory	Tranche 1	PPE	Suu JSC	7,500
Curd processing equipment	Tranche 1	PPE	Suu JSC	1,700
Milk delivery vehicles	Tranche 1	PPE	Suu JSC	820
Warehouse	Tranche 2	PPE	Suu JSC	2,000
Factory at Khentii	Tranche 2	PPE	Suu JSC	800
2nd ice cream producing equipment	Tranche 2	PPE	Suu JSC	2,525
Milk factory at Ulaanbaatar		PPE	Suu JSC	16,193
Land of milk factory at Ulaanbaatar		PPE	Suu JSC	2,000
Factory at Erdenet		PPE	Suu JSC	1,210
Land of factory at Erdenet		PPE	Suu JSC	200
Milk and dairy factory		PPE	Max Agro LLC	428
Land of milk and dairy factory		PPE	Max Agro LLC	58
Milk and dairy processing equipment		PPE	Suu JSC	1,585
Working capital		Working capital	Suu JSC	11,000

(ii) Loan 2 - EBRD-Xac Bank 154-1142:

Suu JSC entered into a loan agreement with XacBank to obtain a loan not exceeding USD 4.8 million or amounting to MNT 13,674,288 thousand, which is to be financed by the EBRD, on 9 September 2022. The loan was obtained to finance purchase of the dairy and ice cream equipment, new fleet of trucks and other additional capital expenditures and the annual interest rate is 13.35%. The loan will be repaid by 20 October 2026, and as of 31 December 2022, the outstanding loan balance is MNT 12,869,918 thousand.

SUU JSC

Notes to the financial statements (*continued*)
for the year ended 31 December 2022

28. Loans and borrowings (*continued*)

Bank and other loans (*continued*)

Collateral information:

Name of collateral	Type of assets	Owner	Value
			MNT'000'000
Dairy and ice cream equipment	PPE	Suu JSC	11,374
Fleet of trucks	PPE	Suu JSC	1,163
Milk factory at Ulaanbaatar	PPE	Suu JSC	16,650
Land of milk factory at Ulaanbaatar	PPE	Suu JSC	2,000
Factory at Erdenet	PPE	Suu JSC	1,210
Land of factory at Erdenet	PPE	Suu JSC	200
Milk and dairy factory	PPE	Max Agro LLC	428
Land of milk and dairy factory	PPE	Max Agro LLC	58
Milk and dairy processing equipment	PPE	Suu JSC	8,172
Inventory	Inventory	Suu JSC	21,000

(iii) Loan 3 - Xac Bank 154-1170:

Suu JSC entered into a loan agreement with XacBank to obtain a loan amounting to MNT 2,648,000 thousand on 2 December 2022. The loan was obtained to finance purchase of property, plant and equipment and the annual interest rate is 13.2%. The loan will be repaid by 7 December 2024, and as of 31 December 2022, the outstanding loan balance is MNT 1,765,333 thousand.

Collateral information:

- Work space worth MNT 2,648,000 thousand located in Songinokhairkhan district, 29th khoroo, Trade union street 28, measured at 2,443 sq.m.
- Work space worth MNT 461,000 thousand located in Songinokhairkhan district, 18th khoroo, Moscow district, Trade union street 28/1, measured at 384 sq.m.

SUU JSC

Notes to the financial statements (continued) for the year ended 31 December 2022

28. Loans and borrowings (continued)

Bank and other loans (continued)

(iv) Loan 4 - Xac bank 154-1253:

Suu JSC entered into a loan agreement with XacBank to obtain a loan amounting to MNT 3,000,000 thousand on 23 August 2022. The loan was obtained to finance current assets and the annual interest rate is 16.8%. The loan will be repaid by 10 August 2024, and as of 31 December 2022, the outstanding loan balance is MNT 2,857,142 thousand.

Collateral information:

- An factory building with an area of 607 square meters, located at the address No. 358/1, 18340 West Turun Street, 32nd khoroo of SHD, Certificate No. Y-2201063302
- 278 sq.m. building for employees, located at 358/1 street, 18340, West Turun Street, 32nd khoroo of SHD, with certificate No. Y-2201063305
- 243 sq.m. building for boilers, located at 358/1, 18340 West Turun Street, 32nd khoroo of SHD, with certificate No. Y-2201063303
- Right to own land for industrial buildings and facilities for other purposes, located at 358/1 street 18340, West Turun, 32nd khoroo of SHD, with scertificate No. E-2201007468, unit field number 1801705919, area 40000 square meters
- Trade and service building with an area of 1261 square meters, located at address 2, building 53/1, West Selbe Street, 4th khoroo, 40 50 thousand /15170/, with certificate No. X-2202006934
- Trade and service building with an area of 600 square meters, located at address 2, building 53/1, West Selbe Street, 4th khoroo, 40 50 thousand /15170/, with certificate No. X-2202024412
- Right to own land for Trade and Public Service Department and Central Complex with area 1706 sq.m. located at address West Selbe Street, 4th khoroo, with certificate No. Э-2202001071, unite field No. 1500300438
- 4-room apartment with a land area of 127.8 square meters, located at address No. 117, building 29, Dundgol St., 3rd khoroo, Khiimor-19 town /17032/, certificate No. X-2206015230
- 4-room apartment with an area of 131 square meters, located at 24, Building 4/6, Builders' Square, 4th khoroo, Certificate No. Y-2202015308
- Office building with an area of 524.9 square meters, with certificate No. Y-2202015253, located on the 6th floor of Building 4/4, Builders Square, 4th jhoroo
- Educational building with an area of 2443 square meters, located at the address No. 28, Trade Union Street, 29th Committee of SHD, Certificate No. Y-2201019949
- 384 square meter cafeteria building with certificate number Y-2201037132, located at 28/1 Trade Union Street, Moskva District, 18th khoroo of SHD
- Before December 31, 2022, the borrower will register the right to own land, located in SHD, 29th khoroo, with an area of 3698 square meters, certificate No. E-2201006822, unit field No. 1800200087, as collateral for the loan.

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Notes to the financial statements (*continued*) for the year ended 31 December 2022

28. Loans and borrowings (*continued*)

Bank and other loans (*continued*)

Loan 5 - Xac bank MNT - 154-3004:

Suu JSC entered into a loan agreement with XacBank to obtain a loan amounting to MNT 3,900,000 thousand on 07 October 2022. The loan was obtained to finance current assets and the annual interest rate is 18%. The loan will be repaid by 10 October 2024, and as of 31 December 2022, the outstanding loan balance is MNT 3,880,000 thousand.

Collateral information:

The collateral assets are assets pledged under loan agreement No. 154-1253 with Xas abnk.

(v) Loan 5 - Xac bank MNT ZG5001029952-01:

Suu JSC entered into a credit line agreement No. ZG5001029952-01 with XacBank to obtain a MNT credit line amounting to USD 4 million and an interest rate of 8% per annum for a term of 12 months on 25 July 2017. The credit line was reduced to be USD 3.6 million on 21 September 2018, and the interest rate was amended to be 18% on 25 July 2019, and the term was extended by 12 months with each of the amendments. The interest rate was amended in the reporting period in accordance with the amendments made to the agreement, in particular, it was reduced to 16.8% on 5 January 2021 and reduced to be 15.6% and 12% respectively on 1 April 2021 and 10 May 2021. after that, according to the agreement dated October 7, 2022, the loan interest rate was changed to 18% and the loan limit was changed to an amount equal to USD1.4 million.

Within the framework of this agreement, the loans taken by the company in the reporting year have a term of 1 year, and as of December 31, 2022, the balance of the loan of MNT 1,254,960 thousand borrowed on April 8, 2022 is MNT418,320 thousand, and on April 27, 2021, the balance of the loan of MNT1,633,470 thousand borrowed on 2022 is MNT544,490 thousand, the balance of the loan of MNT2,314,411 thousand borrowed on May 20, 2022 is MNT964,337 thousand, the balance of the loan of MNT998,402 thousand borrowed on May 24, 2022 is MNT582,401 thousand.

SUU JSC

Notes to the financial statements (continued)
for the year ended 31 December 2022

28. Loans and borrowings (continued)

Bank and other loans (continued)

Collateral information:

Name of collateral	Certificate No.	Owner	Type of assets	Purpose	Value MNT'000
Warehouse building	RN-000109989 Y-2204030588	Max Impex LLC	PPE	Warehouse	460,000
Warehouse building	RN-000112928 Y-2204030778	Max Impex LLC	PPE	Warehouse	
Warehouse building	RN-000109988 Y-2204030587	Max Impex LLC	PPE	Warehouse	
Land with possession rights	RN-000002289 E-2204001082	Max Impex LLC	PPE	Trade and production	1,480,000
Apartment	RN-00018524 Y-2206015230	Max Impex LLC	PPE	4 bedroom apartment	218,538
Office	RN-000079997 Y-2202115253	Max Impex LLC	PPE	For office use	1,341,870
Apartment	RN-000278942 Y-2202115308	Max Urguu LLC	PPE	4 bedroom apartment	224,000
Apartment	RN-000571968 Y-2205045824	Jamiyan D.	PPE	4 bedroom apartment, and garage	313,375

(vii) Loan 7 - Xac bank ZG5002520490:

On July 24, 2021, Suu JSC signed a loan agreement with Khas Bank No. 3Г5002520490, and received a loan of 2 billion MNT with an annual interest rate of 13.4% and a 12-month term. On July 20, 2022, the credit limit was increased to 5 billion, and the interest rate was changed to 14.4%.

Within the scope of the contract, the company took a loan of MNT13,364,100 thousand in the reporting year, of which MNT9,102,947 thousand was repaid, and the balance is MNT4,263,036 thousand.

Collateral information:

- Trade and service building with an area of 1261 square meters, located at address 2, building 53/1, West Selbe Street, 4th khoroo, 40 50 thousand /15170/, with certificate No. X-2202006934
- Trade and service building with an area of 600 m2, located at address 2, building 53/1, West Selbe Street, 4th khoroo, 40 50 thousand /15170/, with certificate No. X-2202024412
- Right to own land for Trade and Public Service Department and central complex with area 1706 square meters, unit field number 1500300438, certificate No. E-2202001071, 4th khoroo, West Selbe

SUU JSC

Notes to the financial statements (continued)
for the year ended 31 December 2022

28. Loans and borrowings (continued)

Bank and other loans (continued)

Collateral information:

- Before December 31, 2022, the borrower will register the right to own land, located in SHD, district 29, with an area of 3,698 square meters, certificate No. E-2201006822, unit field number 1800200087, as collateral for the loan.
- 1.2 billion cash in the cash register and bank current accounts
- Trade and other receivables 1.3 billion
- Inventories intended for sale 18.5 billion

(viii) Loan8 - from Crop Farming Support Fund

On 2 July 2019, the Company has entered into a loan agreement No. UST-2019/12 with Crop Farming Support Fund for a term of 12 years, to obtain a loan of USD 164,365 at 2% per annum. The loan is secured by their own 10 arable lands. Interest can be paid by cash or by wheat, on 25 November each year. According to the agreement, principal for the first year is waived and the principal is payable from second year.

Collateral information:

Name of collateral	Certificate Number	Size or Unit
Arable land	Certificate number 000005404, Unit field number 4303009133	7.4878 hectare
Arable land	Certificate number 000005405, Unit field number 4303009131	96.5058 hectare
Arable land	Certificate number 000005406, Unit field number 4303009136	54.0463 hectare
Arable land	Certificate number 000005407, Unit field number 4303009130	16.8749 hectare
Arable land	Certificate number 000005408, Unit field number 4303009132	6.114 hectare
Arable land	Certificate number 000005410, Unit field number 4303009135	70.723 hectare
Arable land	Certificate number 000005409, Unit field number 4303009134	10.5855 hectare
Arable land	Certificate number 000005319, Unit field number 18594404687250	37.35 hectare
Arable land	Certificate number 000005324, Unit field number 18594400900479	28.93 hectare
Arable land	Certificate number 000005326, Unit field number 18594400900479	28.7 hectare
Mini truck	Plate number 6123UNG, Vehicle identification number JN1CJUD22ZO115951	1
Tow truck	Plate number 7852YH, Vehicle identification number DWFCWLBCTF0010792	1

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Notes to the financial statements (*continued*) for the year ended 31 December 2022

28. Loans and borrowings (*continued*)

Bank and other loans (*continued*)

(ix) Loan 9 - Serac:

Suu JSC entered into a loan agreement with Serac SAS of France to obtain a loan amounting to EUR 1,394,000 with an interest rate of 2.5% per annum on 9 October 2018. The loan was obtained to finance purchase of various machines, equipment and services for PET packaging. Upfront fee of EUR 209,160, equivalent to 15% of contract amount, has been paid on 31 May 2018. The equipment were received in July 2019. According to the agreement, the loan is scheduled to be repaid every 6 months for 5 years starting from 31 January 2021. The loan is secured by the acquired machinery equipment. As of 31 December 2022, the outstanding loan balance is MNT 1,908,196 thousand.

(x) Loan 10 - Nomin Union SCC:

Suu JSC entered into a loan agreement No. ZG/2021100213543 with Nomin Union SCC to obtain a loan amounting to MNT 1 billion on 12 November 2021. The loan was obtained for an annual interest rate of 12%. On 18th of February of 2022 the Suu JSC extended loan period by 1 year. As of 31 December 2022, the outstanding loan balance is MNT 177,663 thousand.

Also, the loan agreement No. ZG/2022100214445 signed on June 30, 2022 is a loan of 2 billion MNT with an annual interest rate of 26.3%, and as of December 31, 2022, outstanding balance is MNT 707,296 thousand.

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Notes to the financial statements (continued)
for the year ended 31 December 2022

29. Share capital

	2022 Number	Issued and fully paid 2022 MNT'000	For 2021 Number	For 2021 MNT'000
<i>Ordinary shares</i>				
At 1 January	344,000,000	34,400	344,000,000	34,400
Purchase of treasury stock	(888,467)	(89)	(1,238,819)	(124)
At 31 December	343,111,533	34,311	342,761,181	34,276

The Company's share capital as at 31 December 2022 comprises of 344,000,000 ordinary shares with par value of MNT 0.10 each. (2021: 344,000,000 ordinary shares with par value of MNT 0.10 each). All ordinary shares issued are fully repaid. Each ordinary share has one vote.

Name of shareholders	Affiliation	31 December 2022		31 December 2021	
		Ownership %	Share capital MNT'000	Ownership %	Share capital MNT'000
Jamiyan D.	Mongolia	38.69%	13,310	38.69%	13,310
Ganbaatar D.	Mongolia	33.06%	11,373	33.06%	11,373
Uyangalyankhua D.	Mongolia	21.00%	7,224	21.00%	7,224
Others	Mongolia	7.25%	2,493	7.25%	2,492
Total		100%	34,400	100%	34,400

Other shareholders consist of a total of 8,003 shareholders.

Additional paid -in-capital

The company uses the face value method to share capital issued in the reporting year and records the difference in excess of the face value of the ordinary shares in the additional paid-in capital account of the ordinary shares.

The movement of additional paid -in -capital during the reporting year is shown below.

	2022 MNT'000	2021 MNT'000
At 1 January	49,578	-
Share capital issued	10,557	49,578
Reclass	(33)	-
At 31 December	60,102	49,578

SUU JSC

Notes to the financial statements (continued)
for the year ended 31 December 2022

29. Share capital (continued)

The movement of treasury share during the reporting year is shown below.

	Number	2022 MNT'000
At 1 January	<u>(1,238,819)</u>	<u>(124)</u>
Share capital issued	17,752	2
Reclass	332,600	33
At 31 December	<u><u>(888,467)</u></u>	<u><u>(89)</u></u>

30. Related party transactions

Identifying related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to as the 'reporting entity').

The list of the Company's related parties are the listed below:

Name of related parties	Affiliation	Relationship	Type of main transactions
Max Impex LLC	Mongolia	Fellow subsidiary	Sales and purchase of goods
Max Lodging LLC	Mongolia	Fellow subsidiary	Sales and purchase of goods
Max Hotels LLC	Mongolia	Fellow subsidiary	Sales and purchase of goods
Max Group LLC	Mongolia	Fellow subsidiary	Trade and services
Max Exim LLC	Mongolia	Fellow subsidiary	Purchase of goods
Max Center LLC	Mongolia	Fellow subsidiary	Sales and purchase of goods
Max Impex LLC	Mongolia	Fellow subsidiary	Financing
Max Foods LLC	Mongolia	Fellow subsidiary	Sales and purchase of goods
Max Glass LLC	Mongolia	Company belongs to the Max Group consolidation	Sales and purchase of goods
Top Buleg LLC	Mongolia	Company belongs to the Max Group consolidation	Sales and purchase of goods
Burenburgaltai LLC	Mongolia	Company belongs to the Max Group consolidation	Purchase of feed
Ganbaatar D.	Mongolia	Shareholder	Dividend
Tserenjigmed D.	Mongolia	Shareholder	Dividend
Jamiyan D.	Mongolia	Shareholder	Dividend
Uyangalyankhua D.	Mongolia	Shareholder	Dividend
Tserenpurev N.	Mongolia	Member of BOD	Salary

SUU JSC

Notes to the financial statements (*continued*)
for the year ended 31 December 2022

30. Related party transactions (*continued*)

Transactions with related parties (continued)

Name of related parties	Affiliation	Relationship	Type of main transactions
Tserendorj B.	Mongolia	Secretary of BOD	Salary
Oyuntungalag Z.	Mongolia	Chief Executive Officer	Wages and Salary
Master Foods LLC	Mongolia	Fellow subsidiary	Trade and services
Max Urguu LLC	Mongolia	Fellow subsidiary	Sales and purchase of goods
Max Line LLC	Mongolia	Fellow subsidiary	Purchase of goods
Max Road LLC	Mongolia	Fellow subsidiary	Sales
Arj Capital LLC	Mongolia	Fellow subsidiary	Transportation

Sales of goods to related parties were made at the Company's usual list prices.

Details of directors' remuneration are given in note 10.

The transactions with related parties for the year ended 31 December 2022 and 2021 were as follows:

	Shareholders		Other related parties	
	2022	2021	2022	2021
	MNT'000	MNT'000	MNT'000	MNT'000
Sales revenue	-	-	2,288,018	1,854,647
Cost of sales	-	-	1,395,691	1,131,335
Purchase of goods	-	-	2,350,058	3,531,931
Purchase of property, plant and equipment	-	-	-	2,174,985
Dividend paid	2,980,682	4,275,675	-	-
Financing paid	-	-	(7,242,802)	(11,568,895)
Financing received	-	-	12,999,060	7,169,782

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Notes to the financial statements (continued)
for the year ended 31 December 2022

30. Related party transactions (continued)

Transactions with related parties (continued)

Outstanding balances of transactions with related parties

	Note	31 December 2022 MNT'000	31 December 2021 MNT'000
Receivables from related parties			
Master Foods LLC		13,664	43,547
Max Lodging LLC		-	9,139
Max Exim LLC		-	155,250
Nitro Siberia Mongolia LLC		-	496
Max Center LLC		-	6,197
Top Buleg LLC		-	784
Khan Altai Resource LLC		6,011	241
Max hotesLLC		46,000	
Nitro Sibir Mongolia LLC		268	
Tserenjigmed. D		92,408	
Mongol Infiniti Shuudan LLC		178	
Mongolian News Channel LLC		6,011	
Total receivables from related parties	17	158,529	215,654
Loan to related parties			
Max Agro LLC		-	1,911,099
Arj Capital LLC		-	1,387,857
Khan Altai Resource LLC		4,041	3,007,676
Nitro Siberia Mongolia LLC		-	21,120
Max impex LLC		482,964	-
Max foods LLC		83,490	-
Ganbaatar. D		1,000	-
Total loans to related parties	18	571,495	6,327,752

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Notes to the financial statements (continued)
for the year ended 31 December 2022

30. Related party transactions (continued)

Transactions with related parties (continued)

Outstanding balances of transactions with related parties (continued)

	Note	31 December 2022 MNT'000	31 December 2021 MNT'000
Prepayments to related parties			
Tserenpurev		-	2,368,000
Max Center LLC		-	100
Total loans to related parties	19	-	2,368,100
	Note	31 December 2022 MNT'000	31 December 2021 MNT'000
Payables to related parties			
Mongolian News Channel LLC		-	2,529
Max Foods LLC		-	39,849
Erdenet Milk Eco LLC		-	9,210
Max Line LLC		10,177	1,787
Max Center LLC		1,150	-
Max Logistic LLC		4,143	-
Max eksim LLC		188,249	-
Max Urgoo LLC		1,005,853	-
Arj Capital LLC		4,000	-
XXK Max Glass LLC		720	-
Top buleg LLC		75,217	-
Top Oil Trading LLC		9,397	-
Max Impex LLC		601,990	-
Ganbaatar. D		69,081	-
Master Foods LLC		15,499	-
Max Road LLC		648	-
Total payables to related parties	27	1,986,124	53,375

SUU JSC

Notes to the financial statements (*continued*) for the year ended 31 December 2022

31. Contingent liabilities

From time to time and in the normal course of business, claims against the Company may be received. On the basis of its own estimates, management is of the opinion that no material losses will be incurred in respect of claims in excess of provisions that have been made in these financial statements.

Collateral and guarantee

A guarantee is a non-refundable amount that the Company is obligated to pay on behalf of the other party in the event of default. The Company has no contractual guarantee obligations.

As of 31 December 2022, there is an outstanding loan from the European Bank for Reconstruction and Development (EBRD), and the Company has pledged several of its assets for the loan, see Note 28 Loans and borrowings for a detailed list of collateral.

32. Events after the reporting date

The Company decided to distribute a total of MNT 835,426 thousand to its shareholders in accordance with Resolution No.06 of the Board of Directors dated 17 February 2023 with a profit of MNT 2,4 per share for the second half of 2022. The distribution is scheduled to take place from 1 May 2023 to 31 December 2023 to distribute dividends to all shareholders.

Management is not aware of any other events that occurred after the end of the reporting period until the date the financial statements were approved for release, which would have any impact on these financial statements.

33. Notes supporting statement of cash flows

Significant non-cash transactions from investing activities are as follows:

	2022 (Note 22) MNT'000	2021 (Note 22) MNT'000
Property, plant and equipment		
Additional property, plant and equipment:		
- Acquired	8,491,230	9,333,849
- Capitalized interest expense	687,375	119,107
- Transferred from prepayments	6,594,184	-
Total	15,772,789	9,452,956

SUU JSC

Notes to the financial statements (*continued*)
for the year ended 31 December 2022

33. Notes supporting statements of cash flows (*continued*)

Significant cash transactions from financing activities are as follows:

	Loans and borrowings (Note 28) MNT'000
At 1 January 2022	44,145,691
-Borrowing received	29,465,345
-Addition on the day of acquisition of Max Agro LLC (Note26)	437,619
-Borrowing repaid	(32,553,812)
-Interest paid	(5,743,879)
-Interest expenses in profit and loss	4,904,452
-Capitalized interest expenses	687,375
-Effects of foreign exchange differences	331,339
At 31 December 2022	41,674,130
At 1 January 2021	30,317,245
-Borrowing received	41,420,863
-Borrowing repaid	(27,191,858)
-Interest paid	(4,190,860)
-Interest expenses in profit and loss	3,909,340
-Capitalized interest expenses	119,108
-Effects of foreign exchange differences	(238,147)
At 31 December 2021	44,145,691

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Notes to the financial statements (*continued*) for the year ended 31 December 2022

34. Accounting policies

Revenue

The company recognizes the revenue as the selling price of the goods agreed to be sold to customers. The revenue from contract with customers is recognized by following steps.

Performance obligations and timing of revenue recognition

The majority of the Company's revenue is derived from selling goods with revenue recognised at a point in time when control of the goods has transferred to the customer. This is generally when the goods are delivered to the customer.

There is limited judgement needed in identifying the point control passes: once physical delivery of the products to the agreed location has occurred, the Company no longer has physical possession, usually will have a present right to payment (as a single payment on delivery) and retains none of the significant risks and rewards of the goods in question.

The Company allows its customers to replace or return defective products within the warranty period for some of the products, if the goods do not meet the quality of the products agreed in the contract. Under IFRS 15, these types of warranties are not recorded as performance obligations and therefore will not be allocated to revenue.

Determining the transaction price

Most of the Company's revenue is derived from fixed-price contracts, and the amount of revenue earned from each contract is determined in relation to those fixed prices. Specific contract clauses are described below:

Some contracts give an option to the customers the right to return. These are usually related to the occurrence of defects in the factory's goods, and damage caused by shipping and handling before they reach the final consumer. Historical data allows the Company to reliably estimate the amount of goods to be returned. The Company also has a policy that the return should not exceed 1.5% of total sales revenue. Also, when goods are returned, the amount of revenue is limited so that there is a high probability that the previously recognized income will not be returned.

Allocating amounts to performance obligations

For most contracts, there is a fixed unit price for each product sold, with reductions given for bulk orders placed at a specific time. Therefore, there is no judgement involved in allocating the contract price to each unit ordered in such contracts (it is the total contract price divided by the number of units ordered). Where a customer orders more than one product line, the Company is able to determine the split of the total contract price between each product line by reference to each product's standalone selling prices (all product lines are capable of being, and are, sold separately).

SUU JSC

Notes to the financial statements (continued) for the year ended 31 December 2022

34. Accounting policies (continued)

Revenue (continued)

Allocating amounts to performance obligations (continued)

Payment terms vary for different types of contracts:

- Supermarket chains with lease contracts - within 7 days after delivery,
- Supermarket chains without lease contracts - between 25th and 30th of each month,
- Small shops - before receiving goods / when confirming order

Remaining performance obligations

The Company recognizes contract liabilities based on the amount of prepayments received for goods and services not supplied yet. At the end of each reporting period, contract liabilities are reduced by the full amount of the contract income of the immovable property and the revenue for the period is recognized. Prepayments are required according to the contract only when small shops order products, however delivery date is sometimes the same as the date of the order. Contract liabilities rarely remain in the financial records. Therefore, since the contractual rights related to the goods does not arise, the amount recognized as contract asset is immaterial.

Practical Exemptions

The Company elected not to make any adjustments to the effect of the financing component as a practical expedient, as it expects that interval between transfer of the promised goods or services and payment by the customer is expected to be less than 12 months.

Cost of sales and operating expenses

The cost of sales and operating expenses include outflows, impairment losses, and additional liabilities, other than distributions to investors who reduce their capital during the period. The cost of sales, sales and distribution expenses, general and administrative expenses, other expenses, and finance expenses are recognised in statement of profit or loss and other comprehensive income when they incurred.

Impairment of non - financial assets

Other non-financial assets including property, plant and equipment and intangible assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly. Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit (CGU), which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash flows.

SUU JSC

Notes to the financial statements (continued)
for the year ended 31 December 2022

34. Accounting policies (continued)

Impairment of non-financial assets (continued)

Impairment losses for CGUs reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the CGUs. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment charge is reversed if the CGU's recoverable amount exceeds its carrying amount. Impairment losses are included in the statement of profit or loss and other comprehensive income.

Foreign currency

Transactions entered into by Company entities in a currency other than the currency of the primary economic environment in which they operate (their "functional currency") are recorded at the rates ruling when the transactions occur.

Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies are presented at historical cost and translated into MNT at the official rates ruling at the transaction dates.

Currency	Average rate		Closing rate	
	For 2022	For 2021	At 31 December 2022	At 31 December 2021
USD	3,141.40	2,849.25	3,444.6	2,848.80
EURO	3,303.03	3,371.66	3,669.02	3,222.99
CNY	466.44	441.69	495.4	447.15
RUB	47.27	40.31	48.85	38.34
JPY	23.96	23.86	26.07	24.74

SUU JSC

Notes to the financial statements (*continued*) for the year ended 31 December 2022

34. Accounting policies (*continued*)

Financial assets

The Company classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. Other than financial assets in a qualifying hedging relationship, the Company's accounting policy for each category is as follows:

Fair value through profit or loss

This category comprises in-the-money derivatives and out-of-the-money derivatives where the time value offsets the negative intrinsic value (see Financial liabilities section for out-of-the-money derivatives classified as liabilities). They are carried in the statement of financial position at fair value with changes in fair value recognised in the statement of profit or loss and other comprehensive income in the finance income or expense line. Other than derivative financial instruments which are not designated as hedging instruments, the Company does not have any assets held for trading nor does it voluntarily classify any financial assets as being at fair value through profit or loss.

Amortised cost

These assets arise principally from the provision of goods and services to customers (eg trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

The Company's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the statement of financial position. Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and - for the purpose of the statement of cash flows - bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the statement of financial position.

Fair value through other comprehensive income

When the Company holds a strategic investment, that is not held for sale, in a joint-stock or limited liability entities that are not their subsidiary, associate or jointly controlled entity, such investments are classified at fair value through other comprehensive income. They are carried at fair value with changes in fair value recognised in other comprehensive income and accumulated in the fair value through other comprehensive income reserve. Upon disposal any balance within fair value through other comprehensive income reserve is reclassified directly to retained earnings and is not reclassified to profit or loss.

SUU JSC

Notes to the financial statements (continued) for the year ended 31 December 2022

34. Accounting policies (continued)

Financial assets (continued)

Dividends are recognised in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment, in which case the full or partial amount of the dividend is recorded against the associated investments carrying amount. Purchases and sales of financial assets measured at fair value through other comprehensive income are recognised on settlement date with any change in fair value between trade date and settlement date being recognised in the fair value through other comprehensive income reserve.

Impairment of financial assets

Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised in the statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment losses on other receivables, receivables from related parties and loans to related parties are estimated as expected with the expected credit loss model. The assessment of whether to recognize the expected credit loss, is based on the probability of non-performance or significant increase in risk since the initial recognition. If there has been no significant increase in credit risk since the initial recognition of the financial asset, the 12-month expected credit loss is recognized with the total interest income. If there has been a significant increase in credit risk, the lifetime expected credit loss is recognized with the total interest income. If an impairment is identified, the lifetime expected credit loss is recognized on a net basis, including interest income.

Whether there is a probability of non-performance or significant increase in risk since the initial recognition is determined by considering how the risk of default will change over the life of the financial instrument. In doing so, the total financial instruments are divided into three stages.

- Stage 1: is where credit risk has not increased significantly since initial recognition. For financial assets in stage 1, entities are required to recognise 12-month ECL. Receivables that are performing or overdue within 30 days are classified at this stage. Stage 1 also includes financial assets with improved financial risk transferred from Stage 2.
- Stage 2: is where credit risk has increased significantly since initial recognition. When a financial asset transfers to stage 2 entities are required to recognise lifetime ECL. In case of receivables that are overdue 31-90 days or more, management classifies the receivables in Stage 2, considering that there has been a significant increase in credit risk. Stage 2 also includes financial assets with improved financial risk transferred from Stage 3.

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Notes to the financial statements (*continued*) for the year ended 31 December 2022

34. Accounting policies (*continued*)

Financial assets (continued)

- Stage 3: is where the financial asset is credit impaired. For financial assets in stage 3, entities will continue to recognise lifetime ECL. When there is one or more events adversely affect the estimated future cash flows, management considers the receivables to be non-performing and classifies them in Stage 3.

To measure the expected cash shortage, the Company estimates the expected credit loss based on future macroeconomic options and their probabilities. Cash shortage is the difference between the cash flows under the agreement and the expected cash flows to be repaid. The main factors affecting the ECL calculations are as follows:

- Probability of Default (PD) is an estimate of a likelihood of a default over a given time horizon. Loans may always become default during the loan appraisal period if they were previously unrecognized and remain in the portfolio at the reporting date.
- Exposure at default (EAD) represents the weighted average credit loss based on each risk of default. The exposure at default represents the total carrying amount of the financial instrument to be impaired and increases its exposure as it approaches to the initial and potential early repayment. In other words, it is calculated by a probability of default at a given time. If the instrument has not been previously derecognized and continues to be in the corresponding package, a loss may occur once during the estimated period.
- Loss Given Default (LGD) is calculated by taking into account the expected changes in the loan after the reporting period, repayment of the principal and interest under the agreement, the additional amount provided under the loan obligation, and accrued interest of late payments. It is calculated from the difference between the cash flows under the agreement, and the expected amount to be received by the borrower plus the amount of collateral sold. LGD is usually expressed as a percentage of EAD.

Management calculates the historical LGD for each reporting period, based on a three-year historical data and uses the following formula: $LGD = 1 - (\text{repayment of receivables overdue for more than 360 days} / \text{amount of receivables overdue for more than 360 days})$

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired. Other than financial liabilities in a qualifying hedging relationship, the Company's accounting policy for each category is as follows:

Fair value through profit or loss

This category comprises out-of-the-money derivatives where the time value does not offset the negative intrinsic value (see "Financial assets" for in-the-money derivatives and out-of-the-money derivatives where the time value offsets the negative intrinsic value). They are carried in the statement of financial position at fair value with changes in fair value recognised in the statement of profit or loss and other comprehensive income. The Company does not hold or issue derivative instruments for speculative purposes, but for hedging purposes. Other than these derivative financial instruments, the Company does not have any liabilities held for trading nor has it designated any financial liabilities as being at fair value through profit or loss.

SUU JSC

Notes to the financial statements (continued) for the year ended 31 December 2022

34. Accounting policies (continued)

Financial liabilities (continued)

Other financial liabilities

Other financial liabilities include the following items:

- Bank borrowings and the Company's redeemable preference shares are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.
- Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's ordinary shares are classified as equity instruments. When the shares are sold at a price higher than the nominal value, the excess of the nominal value shall be recorded as additional paid-in capital. Transaction costs related to equity transactions are derecognized from equity as tax deducted amount.

Treasury shares

Payments for the purchase of treasury stocks are directly included in equity. A separate provision is created for the value of the treasury stocks held (treasury stock provision). Difference between payments received from sales of treasury stocks and weighted average cost at the time of sales, are credited to retained earnings.

Dividends

Dividend is a payment made to shareholders that is proportional to the number of shares owned. Whether dividends are declared or not, amount of dividend per share is decided by shareholders. Dividends are recognized as a liability in the period which they are declared.

Borrowing costs

The borrowing cost is capitalized as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use. Interest rate regarding the special borrowings or the Company's general resource is being used; finance costs are capitalized at the weighted average interest rate. Capitalization of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed. Other borrowing costs are presented under "Finance costs" during the period it is incurred.

SUU JSC

Notes to the financial statements (*continued*) for the year ended 31 December 2022

34. Accounting policies (*continued*)

Leases

Identifying Leases

The following policies have been followed since 1 January 2019, the first day of the application of IFRS 16 Leases.

The Company accounts for a contract, or a portion of a contract, as a lease when it conveys the right to use an asset for a period of time in exchange for consideration.

Leases are those contracts that satisfy the following criteria:

- (a) There is an identified asset;
- (b) The Company obtains substantially all the economic benefits from use of the asset; and
- (c) The Company has the right to direct use of the asset.

The Company considers whether the supplier has substantive substitution rights. If the supplier does have those rights, the contract is not identified as giving rise to a lease. In determining whether the Company obtains substantially all the economic benefits from use of the asset, the Company considers only the economic benefits that arise use of the asset, not those incidental to legal ownership or other potential benefits.

In determining whether the Company has the right to direct use of the asset, the Company considers whether it directs how and for what purpose the asset is used throughout the period of use.

If there are no significant decisions to be made because they are pre-determined due to the nature of the asset, the Company considers whether it was involved in the design of the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use. If the contract or portion of a contract does not satisfy these criteria, the Company applies other applicable IFRSs rather than IFRS 16.

Measurement of lease assets and liabilities

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Company's incremental borrowing rate on commencement of the lease is used.

Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

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Notes to the financial statements (*continued*) for the year ended 31 December 2022

34. Accounting policies (*continued*)

Leases (continued)

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Company if it is reasonable certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- Company's initial direct costs incurred; and
- the amount of any provision recognised where the Company is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Company revises its estimate of the term of any lease (because, for example, it reassesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

When the Company renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy;
- in all other cases where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount;

If the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

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Notes to the financial statements (*continued*)
for the year ended 31 December 2022

34. Accounting policies (*continued*)

Externally acquired intangible assets

Externally acquired intangible assets are initially recognised at cost and after initial recognition, intangible assets shall be measured at its cost less any accumulated depreciation and any accumulated impairment losses and subsequently amortised on a straight-line basis over their useful economic lives. When economic useful life of an intangible asset is uncertain, the asset is not amortized. But it is reviewed at the end of each reporting period to check whether there are any indicators of impairment.

Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques.

Property, plant, equipment

Recognition and measurement

Property, plant and equipment are initially measured at cost. The costs of property, plant and equipment comprise their purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use and also borrowing cost.

Measurement after recognition

After initial recognition, property, plant and equipment shall be measured at its cost less any accumulated depreciation and any accumulated impairment losses. When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Depreciation

Freehold land is not depreciated. Depreciation on assets under construction does not commence until they are complete and available for use. Depreciation is provided on all other items of property, plant and equipment so as to write off their carrying value over their expected useful economic lives. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives. The residual value of an asset is the estimated amount that the Company would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

The estimated useful life of items of property, plant and equipment are as follows:

Property, plant and equipment	Useful life
Buildings	40 years
Equipment	10 years
Furniture and fixtures	10 years
Computers and its accessories	3 years
Vehicles	10 years

SUU JSC

Notes to the financial statements (*continued*) for the year ended 31 December 2022

34. Accounting policies (*continued*)

Property, plant, equipment (continued)

Derecognition

Property, plant and equipment and its major parts are derecognized when they are sold or when they are no longer economically beneficial from their usage or disposal. Any related gains or losses (calculated as the difference between the net disposal proceeds and the carrying amount) are included in the statements of profit or loss and other comprehensive income for the year.

The residual value, useful life and depreciation method of the property, plant and equipment are reviewed at the end of each reporting period to ensure that the residual value, useful life and depreciation method are consistent with the previous estimates and expected future economic benefits embodied in the property, plant and equipment.

Prepayment

Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment related to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of asset once the company has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow the company. Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss for the year.

Inventories

Inventories for sales are valued initially at cost and subsequently at the lower of cost and net realizable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net Realizable Value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale. Old, outdated resources, and slow-moving inventories are recorded and reduced to net realizable value.

Weighted average cost is used to determine the cost of ordinarily interchangeable items.

Governments grants

Where retention of a government grant is dependent on the Company satisfying certain criteria, the Company assesses whether the criteria for retention can be satisfied, and if the probability is high, the related income is recognized.

SUU JSC

Notes to the financial statements (*continued*) for the year ended 31 December 2022

34. Accounting policies (*continued*)

Non-current assets and liabilities held for sale

Non-current assets and groups of assets are classified as held for sale, in the following cases:

- The asset is available for immediate sale
- Management is committed to a plan to sell
- Actions required to complete the plan indicate that it is unlikely that plan will be significantly changed or withdrawn
- An active program to locate a buyer is initiated
- The asset is being actively marketed for sale at a sales price reasonable in relation to its fair value, and
- The sale is highly probable, within 12 months of classification as held for sale.

Non-current assets held for sale and disposal group are measured by minimum of the following:

- Immediately before the initial classification of the asset as held for sale, the carrying amount of the asset will be measured in accordance with the Company's accounting policy; and
- Fair value less costs to sell.

Non-current assets or disposal groups that are classified as held for sale are not depreciated.

The results of sales operation in the current year are reported in the con statement of profit or loss and other comprehensive income on the date of sale.

Biological assets and agricultural products

The Company reports dairy cattle as biological assets. Cattle aged 0-2 years are called calves and are classified as current biological assets. Milking cows over 2 years of age are registered in the main herd and classified as non-current biological asset.

When new calves are born, and at the end of each reporting period, biological assets are measured at fair value less selling expenses. Expenses related to the herding of biological assets during the year are accrued and capitalized to the carrying amount of biological assets. The difference between the carrying amount and the fair value of the asset is recognized in statement of profit or loss and other comprehensive income at the end of each reporting period, as a gain/(loss) on fair value of biological assets.

Goods produced from biological assets are called agricultural products and are classified as inventories in the statement of financial position. Agricultural products are measured at fair value less selling expense at both the initial measurement which is at the time of receiving the agricultural product, and subsequent periods. Expenses related to the production of agricultural products are accrued, and gains or losses on the fair value of agricultural products, which is the difference between the accrued expenses and the fair value, is recognized when milk is received, in the statement of profit or loss and other comprehensive income.

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Notes to the financial statements (*continued*) for the year ended 31 December 2022

34. Accounting policies (*continued*)

Finance income and expense

Finance income and costs consist of interest income/expense, gain/loss on exchange rate, fair value gain on financial assets and liabilities, and gain/loss on employee benefit plan. Interest income is recognized through statement of profit or loss and other comprehensive income for the year revenue recognized using the effective interest rate.

Borrowing costs are recognized as finance cost through statement of profit or loss and other comprehensive income for the year it incurred using effective interest rate. This rule does not apply to borrowing costs capitalized as being directly attributable to the acquisition, construction or production of an asset.

Deferred taxation

Income tax expense comprises of current and deferred tax and recognized in statements of profit or loss and other comprehensive income. Current tax is the expected tax payable on the taxable income for the year, using the tax rates approved at the balance sheet date and any adjustment to tax payable, deferred tax assets and liabilities in respect of previous years.

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the statement of financial position differs from its tax base, except for differences arising on:

- The initial recognition of goodwill
- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit, and
- Investments in subsidiaries and joint arrangements where the Company is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

When there is uncertainty concerning the Company's filing position regarding the tax bases of assets or liabilities, the taxability of certain transactions or other tax-related assumptions, then the Company:

- Considers whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;
- Determines if it is probable that the tax authorities will accept the uncertain tax treatment; and
- If it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty. This measurement is required to be based on the assumption that each of the tax authorities will examine amounts they have a right to examine and have full knowledge of all related information when making those examinations.

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Notes to the financial statements (*continued*) for the year ended 31 December 2022

34. Accounting policies (*continued*)

Deferred tax(continued)

Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either.

- The same taxable group company, or
- Different group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Earnings per share

Earnings/(losses) per share are calculated based on net profit or loss distributed to the weighted average number of ordinary shares during the reporting year. It represents the current profit or loss for each ordinary share. If the Company holds any diluted financial instrument, then the Company should also calculate and report the diluted profit/(loss) per share.

Employee benefit

Short-term employee benefit

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Social and Health Insurance

As required by law, companies in Mongolia make social security and health contributions to the Social and Health Insurance scheme and such contributions are recognized as an expense in the statement of profit or loss and other comprehensive income as incurred.

Contingencies

Contingent liabilities are not recognized in the financial statements. These liabilities are disclosed in the financial statements when the outflow of resources containing economic benefits are probable. Contingent assets are not recognized in the financial statements, but are recorded in the financial statements when the inflow of economic benefits are probable.

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Notes to the financial statements (*continued*) for the year ended 31 December 2022

34. Accounting policies (*continued*)

Related parties

A party is related to the another party if a Party, directly or indirectly, has a significant influence to the decision making for the financial and operating activities of the another party or controls over the financial and operating activities of the another party, and a Party is related to another party if the Company is under control of a party or the conditions above mentioned are reverse. The Company's related parties can be both individuals and other entities.

a) A person or a close member of that person's family is related to a reporting entity if that person:

- (i) has control or joint control of the reporting entity;
- (ii) has significant influence over the reporting entity; or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

An entity is related to a reporting entity if any of the following conditions applies:

- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) 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).

The members of the family who are likely to be influenced by the company and those who may be affected by the company shall be considered as members of a close family. Regardless of whether there is a transaction between related parties, the relationship between them should be disclosed.

Disclosures of related party transactions include:

- (a) Purchases
- (b) Sales
- (c) Lease
- (d) Borrowings
- (e) Warranty and collateral conditions
- (f) If there is a commitment in the future if a particular event is implemented or not implemented
- (g) Settle the liability on behalf of the entity or on behalf of a related party

Same parameters of related party transactions could disclose in total in financial statements unless it requires to disclose separately.

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Notes to the financial statements (*continued*)
for the year ended 31 December 2022

35. Translation

These financial statements have been prepared in both Mongolian and English languages and the report in Mongolian language will prevail in the case of misunderstanding between versions in Mongolian and English languages.