



“PANTHER MIDLAND AUDIT” LLC

“BDSec UTsK” JSC

**Audit report for the year ended December
31, 2023**

Ulaanbaatar city

The year 2024



" BDBSec UTsK " JSC
CONSOLIDATED FINANCIAL STATEMENTS 2023

Audit Completion Report

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March 12, 2024

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Statement of Management's Responsibility for the Preparation and Approval of the Consolidated Financial Statements for the Year Ended December 31, 2023

The following statement to be read together with the independent auditor's report contained in the independent auditor's report on pages 6-10 of this report, "BDSec UTsK" JSC and its subsidiary companies "BDSP" LLC and "Ikh Chinggis Khany Khumrog" LLC - The consolidated financial statements of the Company have been prepared to separate management's responsibilities and auditor's responsibilities related to the consolidated financial statements for the year ended December 31, 2023.

In our view, the consolidated financial statements are the financial position of "BDSec UTsK" JSC as at 31 December 2023, as well as the income, results of changes in equity and cash flows for the year ended at that date. In accordance with the International Financial Reporting Standards, the Ministry of Finance of Mongolia and the Financial Regulatory Commission have issued guidelines and procedures.

It was agreed and approved to issue consolidated financial statements for the year ended December 31, 2023.

 D. Daynbilguun Chairman	 B. Lkhagvadorj General director	 D. Dayaasuren General Accountant
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Ulaanbaatar city, Mongolia
March 12, 2024

Date : 2024.03.12

No 24/09

INDEPENDENT AUDITOR'S REPORT

"BDSEC UTsK" JSC TO SHAREHOLDERS

Summary

We have consolidated financial statements, including consolidated financial statements as of December 31, 2023, consolidated year-end profit, loss and other comprehensive income statements, consolidated equity changes statement, consolidated cash flow statement and summary of significant accounting policies. "BDSec UTsK" JSC and its subsidiary "BDCAP" LLC and "Ikh Chinggis Khaan Khomrug" LLC audited their consolidated financial statements.

In our view, the consolidated financial statements are the financial position of "BDSec UTsK" JSC as at 31 December 2023, as well as the income, results of changes in equity and cash flows for the year ended at that date. In accordance with the International Financial Reporting Standards, the Ministry of Finance of Mongolia and the Financial Regulatory Commission have issued guidelines and procedures.

This conclusion is valid with the attached financial statements and notes on pages 12-29.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key audit issues

It is determined that there are no major audit issues that would affect our report.

Other information

The company prepares the annual operating report after receiving the audited consolidated financial statements and discussing them at the shareholders' meeting. As the management informed us of the submission of the annual report after receiving the audited consolidated report, we did not need to report on it during the audit.

Management and Governance Responsibilities of All Shareholders Regarding Financial Reporting

In addition to being responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, management is responsible for such internal controls as are determined to be essential to the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the company's ability to continue in accordance with the principle of continuity of its consolidated financial statements, except in the event of insolvency or termination of operations that is responsible for applying the basics.

The company's management is responsible for overseeing the consolidation process.

Responsibilities of auditor the Financial Statements

Our objective is to obtain the best possible assurance as to whether the consolidated financial statements have been prepared as a whole and are free from material misstatement, whether due to fraud or error, and to prepare an auditor's report expressing our opinion. While best possible assurance is a high level of assurance, an audit performed in accordance with IAS does not guarantee that every misstatement that exists will always be detected. Misstatements may arise due to fraud or error and, individually or in the aggregate, may affect the economic decisions of users based on the financial statements.

In accordance with IAS, we provided professional solutions throughout the audit, following a professional disbelief approach. We also did the following:

- Identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, identified and implemented audit procedures to address those risks, and obtained sufficient audit evidence to provide a basis for an opinion. There is a risk that material misstatements due to fraud, such as fraud, including fraud, forgery, willful omissions, or the failure or distortion of internal controls, are not solely due to a single error.
- An understanding of the company's internal control system was obtained to develop an appropriate audit procedure, but it was not intended to provide an opinion on the effectiveness of internal control.
- Assessed the appropriateness of accounting policies used by the company, calculations and disclosures made by management.
- If we believe there is a material uncertainty about the company's ability to continue as a going concern, we will focus on the relevant disclosures in the financial statements. If this is not adequately addressed in the relevant disclosures, we will change our audit opinion. Our audit opinion is based on audit evidence up to the date of the auditor's report. Therefore, circumstances may arise in the future that affect the company's ability to continue as a going concern.
- We have reviewed the structure, content, presentation and disclosures of the consolidated financial statements in their entirety to evaluate whether the financial statements present fairly the transactions and events.
- We have obtained sufficient appropriate audit evidence related to the financial information of the entities and business operations of the companies to form an opinion on the consolidated financial statements.

We communicated with governance regarding the scope and timing of the audit, other relevant matters, as well as significant audit issues and internal control weaknesses identified during the audit.

We have also communicated to governance the relevant ethical requirements regarding auditor independence and discussed any communications, safeguards and other matters that may affect our independence.

Based on our communication with management, we identified the matters we considered most significant in our audit of the consolidated financial statements for the reporting period and considered them to be key audit matters. We disclose audit matters in our auditor's report except those matters that are prohibited by law because disclosure to the public may have negative consequences.

About the nominal account

"BDSec UtsK" JSC has an account of USD 452644001 in TDB, USD 1105391344 in Golomt Bank, MNT 1105057130 in Golomt Bank, and USD 8160011183 in Bogd Bank. When verifying the customer's cash flow report of the nominal account by checking the bank statement and the primary documents and each account through cash, the Financial Regulatory Commission's "Procedures for the Special Permit to Engage in Regulated Activities in the Securities Market", the organization's "Customer's Cash Settlement and Transaction Procedures" and is kept accurately within the framework of other relevant laws and regulations.

Use of reports

This report has been prepared for the use of the shareholders of "BDSec UTsK" JSC in accordance with Article 94 of the Company Law, and we do not bear any responsibility to any other third party for the content of this report.



"Panther Midland Audit" LLC
Executive Director Ts. Altantsetseg

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STATEMENT OF FINANCIAL POSITION

"BDSec UTsK " JSC

(MNT)

Account names	1/1/2023	12/31/2023
PROPERTY		
Non-current Assets		
Cash and cash equivalents	2,660,936,353.93	2,898,220,700.29
Accounts receivable	3,127,553,537.25	2,480,091,489.23
Other receivables	241,913,068.02	663,586,404.43
Other financial assets	26,172,741,305.45	34,042,464,947.26
Receivables from related parties	760,826,678.04	124,707,512.67
Prepaid expenses/bills	133,059,243.46	443,961,599.46
Amount of non-current assets	33,097,030,186.15	40,653,032,653.34
Current assets		
Fixed assets	4,381,510,296.20	4,286,593,093.38
Intangible assets	40,864,320.60	36,671,697.21
Long term investment	51,000,000.00	51,000,000.00
Amount of working capital	4,473,374,616.80	4,374,264,790.59
NET WORTH	37,570,404,802.95	45,027,297,443.93
EQUITY AND LIABILITIES		
Short-term liabilities		
Accounts payable	1,156,799,486.23	1,567,061,210.71
Payment of wages	40,409,163.52	68,449,673.74
Income tax liability	166,845.07	34,545,907.63
Accounts Payable of Personal income tax	20,865,477.25	31,161,930.12
Payables of the NPC	3,469,200.00	0.00
VAT payable	939,882.18	1,272,238.52
Prepaid income	477,871.19	477,871.18
Bills Payable	377,938,477.04	0.00
Assets (Liabilities)	41,084,649.00	41,084,649.00
Other short-term liabilities	999,831,700.91	0.01
Other payables /Nominal/	168,584,869.68	615,306,696.09
Payment interest	0.00	2,597,980.80
Payment of health insurance premiums	24,438,131.88	33,769,802.93
Amount of short-term liabilities	2,835,005,753.95	2,395,727,960.73
Long-term liabilities		
Long term loan	20,592,499,677.94	27,327,536,422.46
Amount of long-term liabilities	20,592,499,677.94	27,327,536,422.46
Total liabilities	23,427,505,431.89	29,723,264,383.19
Property of owners		
Property: - state	0.00	0.00
- personal	1,369,488,300.00	0.00
- stock	0.00	9,326,763,118.32
Pocket stock	0.00	
Additional paid-in capital	7,957,309,291.00	34,472.68
Capital revaluation surplus	3,824,524,382.82	3,824,524,382.82
Foreign currency translation reserve	0.00	
Other parts of the owners' property	(600,193,925.70)	(600,193,925.70)
Retained Earnings (Loss)	1,591,771,322.94	2,752,905,012.62
Amount of owners' equity	14,142,899,371.06	15,304,033,060.74
TOTAL EQUITY AND LIABILITIES	37,570,404,802.95	45,027,297,443.93

*These are the notes on pages 12-29
and an integral part of financial statements*

DETAILED STATEMENT OF AUDITED INCOME
"BDSEC UTsK" JSC

(MNT)

No	Indicator	Previous year	Reporting year
INCOME FROM PRINCIPAL ACTIVITIES			
1.1.1	Operating income:	2,467,961,884.26	4,873,387,264.97
1.1.1.1	Brokerage operations	209,782,656.24	1,677,612,491.70
1.1.1.2	Underwriting activities	1,844,881,146.17	784,616,211.50
1.1.1.3	Investment management and investment consulting services	20,716,112.92	40,750,000.00
1.1.1.4	Net income from securities trading	392,581,968.93	2,286,270,394.08
1.1.1.5	Dealer Operating Income	0.00	84,138,167.61
1.1.2	Investment income	995,780,700.00	476,893,322.03
1.1.2.1	Interest income from corporate bonds	544,518,046.92	0.00
1.1.2.2	Dividend income	149,583,739.36	109,711,735.73
1.1.2.3	Other income	141,531,542.80	169,710,946.66
1.1.2.4	Rental income	160,147,370.92	197,470,639.64
1.1.2.5	Payment interest	0.00	1,460,648,306.75
AMOUNT OF INCOME FROM PRINCIPAL ACTIVITIES		3,463,742,584.26	6,810,928,893.75
1.3	Total profit loss/	3,463,742,584.26	6,810,928,893.75
1.4	Operating /sales and general management/ expenses		
1.4.1	Basic and additional salary	996,306,126.50	1,408,554,546.50
1.4.2	Social security contributions	123,947,781.87	175,278,716.50
1.4.3	Maintenance costs	142,162,351.91	82,226,304.55
1.4.4	Operating expenses / Internet, rent/	114,450,735.92	117,674,352.99
1.4.5	Training costs	7,139,000.00	6,142,000.00
1.4.6	Mission expenses	5,261,659.00	61,643,125.93
1.4.7	Stationery costs	44,951,160.00	45,777,919.38
1.4.8	Transportation costs	540,500.00	0.00
1.4.9	Fuel costs	24,179,647.00	24,771,376.00
1.4.10	Cost of material supplies	0.00	0.00
1.4.11	Depreciation cost	157,739,709.28	155,002,107.31
1.4.12	Advertising costs	88,082,917.25	173,591,130.00
1.4.13	Postal costs	30,733,794.22	81,192,735.48
1.4.14	Interest expense	1,147,185,685.19	0.00
1.4.15	Cost of cross-examination	14,485,350.00	15,009,021.00
1.4.16	Security guard costs	22,932,000.00	27,107,359.60
1.4.17	Insurance costs	2,151,890.00	3,810,834.00
1.4.18	Securities trading costs	444,323,103.00	556,129,911.48
1.4.19	Cost of the ceremony	39,929,167.84	39,974,504.00
1.4.20	Newspaper and magazine subscription costs	148,000.00	10,367,824.00
1.4.21	Rental costs	7,580,000.00	14,280,000.00
1.4.22	Other financial expenses	15,050,000.00	0.00
1.4.23	Costs of contributions and fees MDB	33,112,957.40	587,660,594.48
1.4.24	Expenses of contributions and fees	11,323,185.98	421,899,699.92
1.4.25	Cost of contributions and fees FRC	6,669,167.64	16,816,848.00
	<i>Membership fees</i>	19,800,000.00	36,989,999.91
1.4.26	Other fees	92,403,308.09	140,871,241.94
1.4.32	Amount of operating expenses	3,592,589,198.09	4,202,772,152.97
1.5	Operating profit (loss)	(128,846,613.83)	2,608,156,740.78
2	Profit (loss) from non-core activities	0.00	0.00
2.1.1	Profit (Loss) of Penalties and Discounts	0.00	0.00
2.1.6	Income from sale of fixed assets	16,812,500.29	0.00

2.1.7	Exchange rate loss	(983,985,467.65)	240,416,321.09
2.1.8	Gains (losses) on exchange rate changes	(13,353,206.17)	32,302,711.71
2.1.10	Equity Valuation Equation Gain	(2,232,184,089.07)	457,620,216.12
2.1.12	Financial costs	0.00	2,040,641,887.58
2.1.13	Donation costs	(1,800,000.00)	0.00
2.1.14	Other cost	0.00	11,598,548.91
2.2	Amount of profit/loss of non-core activities/	(3,215,510,262.60)	1,321,901,187.57
3	Profit before tax	(3,344,356,876.43)	1,286,255,553.21
3.1	Income tax expense	151,758.81	125,121,863.53
4	Profit / loss after tax	(3,344,508,635.24)	1,161,133,689.68
4.1	Minority share	0.00	0.00
5	Normal operating profit/loss/	(3,344,508,635.24)	1,161,133,689.68
5.1	Special features (net)	0.00	0.00
6.0	Net result for the reporting period	(3,344,508,635.24)	1,161,133,689.68

*These are the notes on pages 12-29
and an integral part of financial statements*

STATEMENT OF CASH FLOWS

"BDSEC UTsK" JSC

(MNT)

Indicator	Amount of previous year	Amount of the reporting year
Cash flow from operating activities		
Amount of cash income (+)	3,659,612,946.55	7,044,396,111.36
Income from the sale of goods and services	3,659,015,210.51	6,753,252,854.44
Compensation from the insurance	0.00	2,776,596.00
Other cash income	597,736.04	288,366,660.92
Amount of money spent (-)	10,678,919,535.02	(15,895,336,307.40)
Paid to employees	(895,380,935.38)	(1,045,015,964.37)
Paid to Social Security	(233,954,081.54)	(309,201,606.64)
Paid for the purchase of inventory	13,530,701,941.31	(10,749,830,088.09)
Paid for operating expenses	(100,987,985.97)	(160,422,732.38)
Paid for fuel, transportation and spare parts	(4,204,061.00)	(24,966,937.00)
Paid for interest	(747,394,340.52)	(1,584,817,156.82)
Paid to the tax authorities	(220,555,911.58)	(157,177,734.79)
Paid for insurance	(2,151,890.00)	(3,810,834.00)
Other monetary expenses	(647,153,200.30)	(1,860,093,253.31)
Amount of net cash flow from operating activities	14,338,532,481.57	(8,850,940,196.04)
Cash flows from investing activities	0.00	0.00
Amount of cash income (+)	4,420,145,106.10	12,337,302,162.24
Income from sale of fixed assets	9,700,000.00	0.00
Income from sale of other long-term assets	4,410,445,106.10	11,160,929,191.87
Refunds of loans and cash advances made to others	0.00	1,176,372,970.37
Amount of money spent (-)	16,932,582,619.00	(3,749,956,159.58)
Paid for acquiring fixed assets	48,286,049.00	(56,441,372.00)
Paid to acquire intangible assets	16,848,897,834.75	0.00
Loans and cash advances to others	35,398,735.25	(3,693,514,787.58)
Amount of net cash flow from investing activities	(12,512,437,512.90)	8,587,346,002.66
Cash flow from financing activities		
Amount of cash income (+)	25,842,856,386.89	80,855,664,139.04
Received from loans and debt securities issued	11,575,850,591.66	26,270,907,484.58
Received from the issuance of shares and other equity securities	14,241,567,082.11	0.00
Other cash income	27,238,713.12	54,584,756,654.46
Various donations	(1,800,000.00)	0.00
Amount of money spent (-)	26,782,100,787.44	(80,354,785,599.30)
Paid for loans and debt securities	11,185,249,067.05	(5,366,363,291.10)
Paid for finance leases	0.00	(14,943,575,791.55)
Paid to buy back shares	14,992,553,969.58	(13,027,303,844.78)
Dividends paid	597,216,660.00	0.00
Other expenses	24,717.22	(46,741,912,663.33)
Loss on exchange rate difference	7,056,373.59	(275,630,008.54)
Amount of net cash flow from financing activities	(939,244,400.55)	500,878,539.74
ALL NET CASH TRANSACTIONS	886,850,568.12	237,284,346.36
Initial balance of cash and cash equivalents	1,774,085,785.81	2,660,936,353.93
Closing balance of cash and cash equivalents	2,660,936,353.93	2,898,220,700.29

*These are the notes on pages 12-29
an integral part of financial statements*

AUDITED STATEMENT OF CHANGES IN EQUITY

"BDSEC UTsk" JSC

(MNT)

Indicator	Equity capital	Revaluation Reserve	Additional paid-in capital	Other parts of the owner's property	Accumulated profit	Total
Balance as of December 31, 2021	1,369,488,300.00	3,824,524,382.82	7,957,309,291.00	(600,193,925.70)	0.00	12,551,128,048.12
Effect of changes in accounting policies and correction of errors	0.00	0.00	0.00	0.00	0.00	0.00
Corrected Balance	0.00	0.00	0.00	0.00	0.00	0.00
Net profit (loss) for the reporting period	0.00	0.00	0.00	0.00	1,591,771,322.94	1,591,771,322.94
Other comprehensive income	0.00	0.00	0.00	0.00	0.00	0.00
Changes in ownership	0.00	0.00	0.00	0.00	0.00	0.00
Dividend declared	0.00	0.00	0.00	0.00	0.00	0.00
Realized amount of revaluation increment	0.00	0.00	0.00	0.00	0.00	0.00
Balance as of December 31, 2022	1,369,488,300.00	3,824,524,382.82	7,957,309,291.00	(600,193,925.70)	1,591,771,322.94	14,142,899,371.06
Effect of changes in accounting policies and correction of errors	0.00	0.00	0.00	0.00	0.00	0.00
Corrected Balance	1,369,488,300.00	3,824,524,382.82	7,957,309,291.00	(600,193,925.70)	1,591,771,322.94	14,142,899,371.06
Net profit (loss) for the reporting period	0.00	0.00	0.00	0.00	1,161,133,689.68	1,161,133,689.68
Other comprehensive income	0.00	0.00	0.00	0.00	0.00	0.00
Changes in ownership	7,957,274,818.32	0.00	(7,957,274,818.32)	0.00	0.00	0.00
Dividend declared	0.00	0.00	0.00	0.00	0.00	0.00
Realized amount of revaluation increment	0.00	0.00	0.00	0.00	0.00	0.00
Balance as of December 31, 2023	9,326,763,118.32	3,824,524,382.82	34,472.68	(600,193,925.70)	2,752,905,012.62	15,304,033,060.74

These are the notes on pages 12-29 and an integral part of financial statements.

ONE. "BDSEC UTsK" JSC AND ITS SUBSIDIARY HAS BEEN MERGERED ON DECEMBER 31 , 2023 NOTES TO FINANCIAL STATEMENTS

These the notes an integral part of the preceding financial statements and read with them.

BRIEF INFORMATION ON "BDSEC UTsK" JSC AND ITS SUBSIDIARY COMPANIES

- *Location:* Ulaanbaatar City, Sukhbaatar District, District No. 8, Youth Avenue, 27/1, "BDSec " JSC Building Phone №: 976-11-313196, 313108 E-mail: info@bdsec.mn
- *Property type:* Joint Stock Company
- *Interacting financial and tax institutions:* Chingeltei District Treasury and Taxation Department
- *Reporting period:* from January 1 , 2023 to December 31, 2023

- *Main areas of activity:*
 - ✓ Broker and dealer
 - ✓ Underwriting
 - ✓ Investment advisor
 - ✓ Intermediation activities in the sale and purchase of securities in foreign securities markets

- *Previous auditor:* Layen Audit LLC, 511-502, Great Mongolia Street, 11th District, Khan-Uul District, Ulaanbaatar City.
- *Auditor:* "Panther Midland Audit" LLC, Ulaanbaatar City, Sukhbaatar District, 1002, Naryn Street, JS Tower , 5th District, Ulaanbaatar City Phone: 70141770, 95111770

BRIEF INTRODUCTION OF "BDSEC UTsK" JSC AND ITS SUBSIDIARY COMPANIES

"BDSec UTsK" JSC was first established in 1991 under the name "Bayandukhum" in Zuunmod, Central Province, to organize the registration and registration of citizens' property privatization tickets. It was reorganized into a limited liability company "BD Sec" for the purpose of broker and dealer activities in the stock market after receiving a certificate from the state register with the number 9010001030 and registration number 2052482.

"BDSec UTsK" JSC has been operating continuously for 30 years since 1991, when the stock market was established in Mongolia, within the framework of a special license issued by the Financial Regulatory Commission.

- Broker and dealer
- Underwriting
- Adviser of the investment
- Intermediation activities in the sale and purchase of securities in foreign securities markets.

It was decided to establish "BDAP" LLC, which has 100 percent capital of "BDCAP " LLC, in the field of investment, and on August 15, 2007 State registration certificate No. 901117032 with 5157781 registration was obtained.

On September 14, 2007, the name of "BDAP" LLC was changed to "BDCAP" LLC. "BDCAP" LLC is engaged in the activity of leasing the real estate of "BDSec " JSC to others.

On December 3, 2015 in the field of foreign trade, "Ikh Chinggis Khan Khumrog" LLC, with state registration certificate No. 9011577076 and registration number 6025862, was reorganized into an investment management company by the resolution of the board of directors dated February 26, 2019, with an amount of MNT 100,000.0 thousand. invested.

The company has the following 4 divisions

1	Orkhon province branch	205, Khuren bulag sum, Kharkh LLC building, Orkhon province
2	Darkhan province branch	No. 604, 6th floor of Darkhan department store, Bag 16, Darkhan Sum, Darkhan-Uul province
3	Sainshand branch	116, Party Committee, 2nd Floor, Victory Street, Group 3, Sainshand Sum, Dornogovi Province
4	Central province Branch	Central province, Zuunmod sum, 1st team, integrated public service center

Major shareholders

Name of shareholder	Ownership percentage
Mongolian Master Management LLC	8.87 %
Tasgan Invest LLC	15.32 %
D. Dayanbilguun	17.45 %
Zwahr Alexander	24.73 %
Impera Mongolia Holding	6.25 %
Total	

The members of the Board of Directors were appointed by Resolution No. 03/2022 dated April 25, 2022. In addition to the founders, the company's board of directors includes experts with experience in domestic and foreign capital markets.

The Board of Directors:

D. Dayanbilguun	Board member
N. Batgerel	Board member
B. Lkhagvadorj	Board member
O. Uranbaigal	Board member
Uluch Bingol	Board member
D. Amgalanbayar	Independent member of the board
B. Enkhbayar	Independent member of the board
M. Tuya	Independent member of the board
Hitoshi Tani	Independent member of the board

Executive Management:

D. Dayanbilguun	Chairman of the board
B. Lkhagvadorj	Executive director of "BDSec UTsK" JSC
N. Batgerel	First Deputy director of "BDSec UTsK" JSC
Sh. Shinebayr	Deputy director of "BDSec UTsK" JSC

The audited consolidated financial statements are only for "BDSec UTsK" JSC and its subsidiaries "BDCP" LLC and "Ikh Chinggis Khaani Khumrog" LLC. The figures are expressed in Mongolian currency /MNT/

TWO. ABSTRACT OF THE REPORT

The audit of the 2023 interim financial statements of "BDSec UTsK" LLC is planned to be performed between February 11, 2024 and March 12, 2024, and submitted to the customer and the Financial Regulatory Committee, "Panther Midland Audit" LLC - Auditor T. Altantsetseg, auditor's assistant T. Enhsaikhan, D. Batsaikhan, quality control auditor B. Sansarmaa were responsible.

The appointed team performed the audit because it was unnecessary to involve an IT expert in the audit to assess the operation of the information technology and registration information system used in the financial and accounting activities of "BDSec UTsK" JSC.

The materiality of the stage of the audit was determined according to IAS 1320 and IAS 320, and the total financial assets, total income, and total expenses of 2023 were selected as the basic indicators of materiality..

As of December 31, 2023, the total assets of "BDSec UTsK" JSC are 45,027,297.4 thousand MNT, total income is 6,810,928.8 thousand MNT, and total expenses are 5,649,795.2 thousand MNT. 900,545.9 thousand MNT calculated at 2 percent.

THREE . "BDSEC UTsK" JSC AND ITS SUBSIDIARY COMPANIES SUMMARY OF BASIC ACCOUNTING POLICIES

The company has a separate financial for common purposes the following registration policies shall be followed when preparing reports.

Tracking report

The financial statements have been prepared in accordance with IFRS issued by the IASB Committee and interpretations issued by the Standing Committee on IASB Interpretations.

Financial statements are prepared in accordance with the "Instructions for the Preparation of Financial Statements and Disclosures of Enterprises" approved by Order No. 361 of 2017 of the Minister of Finance of Mongolia.

Basis for preparation of financial statements

The purpose of preparing financial statements is to accurately represent the organization's assets, resources, financial status, recognized income and expenses, their results, and cash flows in accordance with the Accounting Law of Mongolia.

Basis of measurement

These financial statements have been prepared on a historical cost basis except for the items below (see appropriate accounting policies for details).

- Financial instruments - Loans and receivables at amortized cost
- Financial Instruments - Investments in debt instruments at fair value
- Financial Instruments - Equity investments at fair value
- Financial liabilities - Financial liabilities at amortized cost

General background of NGOs

The reporting currency of the company is Mongolian Tugrik. These financial statements are expressed in Tugrik and detailed in MNT .

Projection of continuous activity

Financial statements are prepared based on the principle of continuous operation. Under the going concern principle, an entity prepares its financial statements based on the assumption that its business will continue for the foreseeable future.

General purpose financial statements are prepared on a going concern basis unless management intends to liquidate the entity or cease operations, or unless it is impracticable to do so.

When the going concern assumption is appropriate, assets and liabilities are recorded on the basis that the entity can realize its assets and settle its liabilities in the normal course of business.

Newly implemented standards and amendments to other standards during the reporting period

IFRS	Summary of new standards and amendments	Implementation date
Conceptual framework of financial reporting	Financial reporting concepts are grouped by the following characteristics. Chapter-1 Objectives of Financial Reporting Chapter-2 Quality Indicators of Need for Financial Information Chapter-3 Financial Reporting and Reporting Enterprise Chapter-4 Financial reporting indicators Chapter-5 Recognition and non-recognition Chapter-6 Measurement Chapter-7 Presentation and Disclosure Chapter-8 Concept / understanding of capital and capital models	On or after January 1, 2020 to come into force within the period
IFRS 3 Business Incorporation - Definition of Business (as amended in October 2018)	At least a set of activities and assets must be acquired to qualify as a business. It was clarified that inputs are created through a comprehensive process. In addition to adding that goods and services should be delivered to customers, the section on cost savings was removed.	Effective on or after January 1, 2020
IAS 1 Presentation of Financial Statements. IAS 8 accounting policies, changes in accounting estimates and errors	The following amendments were adopted to make the definition of materiality a single concept. According to the new definition, an omission, misstatement, misrepresentation, or obfuscation of information is considered material if it is believed to affect the decision-making of key users who make decisions based on the general purpose financial statements that provide financial information about the reporting entity.	Effective on or after January 1, 2020

Approved but not implemented standards

the Company's financial statements were issued are disclosed below. These standards and modifications are of the company financial in the report effect to show is company these implemented started following from the time follow.

New standards and changes:	Validity period:
Amended standards	
IFRS 3 <i>Business Description</i> - references to conceptual frameworks	January 1, 2022
IAS 1 and IAS 8 <i>Definition of Materiality</i> -	January 1, 2020
IAS 1 <i>Classification of long-term and short-term liabilities</i>	January 1, 2023
IFRS 10, IAS 28 <i>Asset sale or investment between an investor and its subsidiary or joint venture</i>	No decision has been made
IAS 16- <i>Fixed Assets- Preparation of fixed assets prior to commencement of operation</i>	January 1, 2022
IAS 37 - <i>Onerous Contracts - The Cost of Fulfilling Contracts</i>	January 1, 2022
Regular improvements to IFRS 2018-2020 Additional improvements to IFRSs published in December 2017 <ul style="list-style-type: none"> • IFRS 1- IFRS for the first time implementer • STUDIO 9- tools 	January 2022 1 January 2022 1
A new standard	
IFRS 17 <i>Insurance contracts</i>	January 1, 2023

Important accounting calculations and solutions

The Company uses certain estimates and assumptions regarding future operations. Estimates and solutions are regularly evaluated based on historical experience and other factors, such as assumptions about future operations deemed appropriate in the circumstances. Actual results may differ from estimates and projections.

The useful life of depreciable assets

The Company's management reviews the useful lives of intangible assets and depreciable assets such as equipment and computer peripherals at the end of each reporting period based on expected asset utilization. The results may differ from estimates and projections due to technical obsolescence.

Deferred tax

Deferred tax assets and liabilities arise from the difference between the carrying amounts of assets or liabilities in the financial statements and their tax bases, deductible and taxable temporary differences against future taxable income. Deferred tax assets related to tax losses and unused tax credits are also recognized.

Fair value measurement of financial instruments

When the fair value of financial assets and liabilities included in the statement of financial position is not based on active market data, their fair value is determined using various valuation techniques involving valuation models. Where possible, the data used in these models are evaluated from active markets, and when this is not possible, other data are used to determine the fair value. Active market and other information may affect the reporting of the fair value of financial assets included in the statement of financial position. Valuation models are tested and validated against observed market data at the same time in similar instruments where possible.

Impairment of assets

The Company determines whether any impairment exists for each asset or cash-generating unit at the end of each reporting period. An asset or cash-generating unit is considered impaired if the fair value resulting from its use and sale is less than the asset's book value.

Venture capital

In accordance with the "Rules on Risk Funds of Regulated Entities" approved by the Resolution No. 507 of 2013 of the Financial Regulatory Commission, an operational risk protection fund will be established with funds equal to at least three percent of the share capital in order to protect our customers and investors from potential risks.

Cash and cash equivalents

Money in cash and bank current accounts, open-ended deposits, special funds limited to 3 months, and short-term investments with good liquidity, which feel a small risk of changing their value, are freely convertible to certain monetary values. These assets are recorded at their nominal value.

Accounts receivable

Includes receivables from buyers and related parties for goods and products sold, work and services rendered in the course of the enterprise's main operations. Accounts receivable are presented in the statement of financial position at their net realizable value, or the net amount expected to be received in cash.

Tax and social security contributions receivable

corporate income tax (CIT) , value added tax (VAT) , other taxes, payments, fees and social insurance premiums overpaid at the end of the reporting period. The amount of tax and social insurance contributions receivable at the end of the quarter and year is equal to the amount certified by the tax and social insurance organization.

Other receivables

Loans given to other organizations, individuals, and related parties with a term of up to one year or repayable within one operating cycle, and other receivables that are not important to the main activity are applicable.

Inventory

Includes assets held for purchase and sale in the normal course of business, items in process, and materials and supplies used in production and services.

Fixed assets

Fixed assets are stated at original cost less accumulated depreciation and accumulated impairment losses. Only if the requirements for recognition as fixed assets are met, the cost of the replaced part of the fixed asset and the cost of borrowing shall be included in this cost on a case-by-case basis. All other maintenance costs are charged to profit or loss as incurred.

Classification of Fixed Assets

Fixed assets are classified according to their characteristics and use in operations.

It includes:

- (a) Land improvements : sidewalks, greenery and other land improvements made on public land ;
- (b) Buildings : All kind of building , his in the lineup to close the mouth heating , water , ventilation , electricity systems , roads , bridges , etc of each square degree sub structural characteristic items ;
- (c) Machines and equipment: Production and service intended for all kind of apart from machinery transfer device , additional devices ;
- (d) Transport Tools : All kind of transportation tools ;
- (e) Furniture and fixtures: One from the year in the above period to be used furniture , etc household tissue garbage , tools tools ; _
- (f) Computers and other equipment: Computers, printing, duplicating equipment and other equipment ;
- (g) Other Fixed Assets: Other fixed assets not included in the above categories apply.

Depreciation of fixed assets

Depreciation is calculated from the time when the fixed asset is ready for use or when the conditions for its use for administrative purposes are met. Depreciation of fixed assets is selected based on the future economic return of assets from the straight-line method, the reducing balance method, and the product unit method ; the chosen method shall be consistently applied in each reporting period.

Depreciation expense for each reporting period (unless it is recognized in the book value of other assets) is recognized in the profit and loss section. The amount of accumulated depreciation of fixed assets shall be disclosed in the financial statements.

Intangible assets

Intangible assets are non-monetary assets that do not have physical characteristics and can be identified. Intangible assets are presented in the statement of financial position at their net carrying amount less accumulated amortization and accumulated impairment.

Amortization of intangible assets

For intangible assets with a definite useful life, the straight-line method, the declining balance method, or the unit-of-product method are used based on the economic benefits expected from the asset.

If the chosen amortization method does not determine the economic benefits of the assets of the enterprise, the enterprise shall use the straight-line method. Intangible assets that do not have a definite useful life are not amortized. The amount of accumulated amortization of intangible assets is disclosed in the financial statements.

Liabilities

Liabilities are classified into short-term liabilities and long-term liabilities.

Short-term liabilities

Short-term liabilities are liabilities that are expected to be paid or are due within 12 months from the reporting date in the normal course of the business cycle. Short-term liabilities are recorded according to their payable amounts and classified in the statement of financial position as follows. It includes:

- *Accounts payable*

This includes unpaid balances for goods, supplies, and services purchased from suppliers in the course of the primary business operations.

- *Payment of wages*

The amount of the salary and other forms of wages payable to the employees is applicable.

- *Tax debt*

of corporate income tax (CIT) , value added tax (VAT) , personal income tax (PIT) , excise duty (OAT) , and other taxes, fees, and charges at the end of the reporting period applies. The unpaid tax balance at the end of the quarter and year is equal to the balance certified by the tax authority.

- *Payment of social security contributions*

The unpaid balance at the end of the reporting period of social security contributions withheld from wages and payable by the employer shall be reflected in this section.

- *Short term loan*

Loans up to one year are applicable.

- *Interest payments*

The amount of accrued and unpaid interest payments related to short- and long-term loans and debt securities shall be reflected here.

- *Dividend Payable*

Dividends declared to be paid to shareholders (partners) by the decision of the management authority of the enterprise shall be recorded in this account. Only the unpaid balance at the end of the reporting period for cash dividends is considered current debt.

- *Prepaid income*

If the price of the product or work is received in advance from the buyer or customer before the provision of services, a short-term debt will be created in the amount of money received and recorded in the "Income in advance" account. This account is debited when goods or services are rendered or revenue is realized and the corresponding sales revenue account is credited.

Long-term liabilities

Long-term liabilities are classified in the statement of financial position as follows. It includes:

- *Long-term loans*: This section presents the amount of loans from domestic and foreign sources and related parties to be paid for more than one year.
- *Reserves (liabilities)*: The long-term amount of reserves established in connection with the enterprise's warranty repair debt, rehabilitation and other liabilities.
- *Deferred Tax Liability*: Deferred tax liability refers to the amount of income tax liability due in a future accounting period related to taxable temporary differences. tax debt shall be calculated and recorded in accordance with IAS 12 *Income Tax* .
- *Other long-term liabilities*: Amounts of long-term bonds, debentures and other long-term liabilities are presented in this section.

Property

Depending on the type of enterprise, *property* is called share capital, capital contributed by members, and capital contributed by cooperatives. For enterprises with participation of state and local property, property shall be classified as public and private property.

Sales revenue

Income from permanent and regular activities, such as goods and products sold or income from work and services rendered during the reporting period, shall be included in the detailed income statement in the net amount minus sales discounts, returns and price reductions.

- ***Income from underwriting activities***

Income from the preparation of the prospectus of the securities issued under the agreement with the issuer, the purchase or sale of a group of new or additional securities, or a part thereof, or the trading of the securities as a public offering on behalf of the issuer.

- ***Income from brokerage operations***

Income from the brokerage sale, purchase or purchase of securities on behalf of others in the securities market.

- ***INCOME FROM DEALERSHIP***

Income from the purchase, sale or purchase of securities with own funds for the purpose of making a profit in the securities market.

- ***Income from investment advisory activities***

Income from the activities of collecting, researching, making conclusions, and advising investors on the information specified to be made publicly available by professional organizations participating in the securities market in accordance with the legislation on the securities market.

6) Intangible assets

Intangible assets of the organization at the balance sheet date are reported as follows.

Indicator	Property	1/1/2023	Added	Removed	12/31/2023
Land ownership rights	Property	13,200,000.00	0.00	0.00	13,200,000.00
	Accumulated depreciation	0.00	0.00	0.00	0.00
Software	Property	46,666,470.04	10,956,000.00		57,622,470.04
	Accumulated depreciation	(19,002,149.44)	(15,148,623.39)	0.00	(34,150,772.83)
TOTAL INTANGIBLE ASSETS	Property	59,866,470.04	10,956,000.00	0.00	70,822,470.04
	Accumulated depreciation	(19,002,149.44)	(15,148,623.39)	0.00	(34,150,772.83)
NET WORTH		40,864,320.60	(4,192,623.39)	0.00	36,671,697.21

Financial software is recorded in intangible assets. In its consolidated financial statements, the company recorded 13,200.00 thousand MNT as land improvement in intangible assets. The asset is included in the statement of fixed assets and is transferred between asset classes.

In the reporting year, intangible assets increased by 10,956.0 thousand MNT, and depreciation of 15,148.6 thousand MNT was recorded.

7) Long term investment

The entity's long-term investments at the balance sheet date are reported as follows.

Indicator	1/1/2022	Added	Removed	12/31/2022
Long term investment	51,000,000.00			51,000,000.00
NET WORTH	51,000,000.00	-	-	51,000,000.00

There was no change in long-term investments during the reporting year.

8) Total Liabilities

The total liabilities of the organization on the balance sheet date are as follows reported as

Indicator	1/1/2023	12/31/2023	Change	
			Amount	Percentage
Short-term liabilities	2,835,005,753.95	2,395,727,960.73	(439,277,793.22)	(0.15)
Long-term liabilities	20,592,499,677.94	27,327,536,422.46	6,735,036,744.52	0.25
Amount	23,427,505,431.89	29,723,264,383.19	6,295,758,951.30	0.27

In the reporting year, 8.06% of the total liabilities are short-term liabilities and 91.94% are long-term liabilities, and in the reporting year, short-term liabilities increased by 6,295,758.9 thousand MNT.

Short-term liabilities

Indicator	1/1/2023	12/31/2023	Change	
			Amount	Percentage
Accounts payable	1,156,799,486.23	1,567,061,210.71	410,261,724.48	0.35
Payment of wages	40,409,163.52	68,449,673.74	28,040,510.22	0.69
Income tax liability	166,845.07	34,545,907.63	34,379,062.56	206.05
Accounts Payable of personal income tax	20,865,477.25	31,161,930.12	10,296,452.87	0.49
Payables of the NPC	3,469,200.00	0.00	(3,469,200.00)	(1.00)
VAT payable	939,882.18	1,272,238.52	332,356.34	0.35
Prepaid income	477,871.19	477,871.18	(0.01)	(0.00)
Bills Payable	377,938,477.04	0.00	(377,938,477.04)	(1.00)
Assets (Liabilities)	41,084,649.00	41,084,649.00	0.00	0.00
Other short-term liabilities	999,831,700.91	0.01	(999,831,700.90)	(1.00)
Other payables /Nominal/	168,584,869.68	615,306,696.09	446,721,826.41	2.65
Payment of health insurance	24,438,131.88	2,597,980.80	(21,840,151.08)	(0.89)
Interest payments	0.00	33,769,802.93	33,769,802.93	1.00

Cost of cross-examination	14,485,350.00	15,009,021.00	0.3%
Security guard costs	22,932,000.00	27,107,359.60	0.5%
Insurance costs	2,151,890.00	3,810,834.00	0.1%
Cost of subcontracted work	0.00	0.00	0.0%
Securities trading costs	444,323,103.00	556,129,911.48	9.8%
Cost of the ceremony	39,929,167.84	39,974,504.00	0.7%
Other cost	0.00	0.00	0.0%
Fees for Regulatory Committee Regulatory Services	0.00	0.00	0.0%
Newspaper and magazine subscription costs	148,000.00	10,367,824.00	0.2%
Rental costs	7,580,000.00	14,280,000.00	0.3%
Other financial costs	15,050,000.00		0.0%
Costs of contributions and fees MDB	33,112,957.40	587,660,594.48	10.4%
Expenses of contributions and fees	11,323,185.98	421,899,699.92	7.5%
Cost of contributions and fees FRC	6,669,167.64	16,816,848.00	0.3%
Membership fees	19,800,000.00	36,989,999.91	0.7%
Other fees	92,403,308.09	140,871,241.94	2.5%
Other fees	3,592,589,198.09	4,202,772,152.97	74.4%
<i>Non-core operating expenses</i>			
Gains/losses from currency trading	13,353,206.17	(32,302,711.71)	-0.57%
Losses in the Securities Valuation Equation	2,232,184,089.07	(457,620,216.12)	-8.1%
Exchange rate loss	983,985,467.65	(240,416,321.09)	-4.3%
Donation costs	1,800,000.00	0.00	0.0%
Other expenses	0.00	11,598,548.91	0.2%
Financial costs	0.00	2,040,641,887.58	36.1%
Income from sale of fixed assets	(15,812,500.29)	0.00	0.0%
Score	3,215,510,262.60	1,321,901,187.57	23.4%
<i>Income tax expense</i>			
Income tax expense	151,758.81	125,121,863.53	2.2%
léëò expenses	6,808,251,219.50	5,649,795,204.07	100.0%

In the reporting year, a total of 5,649,795.2 thousand MNT expenses were recognized and recorded. 74.4% of total expenses are general management expenses, 23.4% are non-operational expenses, and 2.2% are corporate income tax expenses.

13) Post balance sheet process

- There is nothing noteworthy about the post-balance sheet process.

Audit report written :

Auditor

 Ts. Altantsetseg

Assistant auditor

 Sh. Bymbaa

Assistant Auditor

 D. Batsaikhan

 T. Enkhsaikhan

**Internal control of the audit report :
Quality control auditor**

 B. Sansarmaa

" PANTHER MIDLAND AUDIT " LLC

2024-03-12