

GAZAR SHIM FACTORY JOINT STOCK COMPANY

For the year ended 31 December 2024

AUDITED FINANCIAL STATEMENTS
(Translated from Mongolian version)

(With Independent Auditors' Report Thereon)

ULAANBAATAR
2025

CONTENTS

	Pages
INDEPENDENT AUDITOR'S REPORT	1-5
STATEMENT OF FINANCIAL POSITION	6
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	7
STATEMENT OF CHANGES IN EQUITY	8
STATEMENT OF CASH FLOWS	9



SOLID UNITY LLC
Address: Mongolia, Ulaanbaatar,
16050, Bayangol District, 2nd
Khoroo, Constitutional Street-24,
Rockmon Building, 10th Floor,
Room 1003

Phone: 976+99063227,
976+9909 1993
e-mail: info@solidunity.mn
web: solidunity.mn

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Gazar Shim Factory JSC

Opinion

We have audited the financial statements of Gazar Shim Factory JSC, which comprise the statement of financial position as at 31 December 2024, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Gazar Shim Factory JSC as at 31 December 2024, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (the "IESBA Code") and the Mongolian relevant ethical requirements related to the audit of financial statements, we have also fulfilled our other ethical responsibilities in accordance with the IESBA Code and these ethical requirements.

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

Key Audit Matters

We have determined the most material matters as key audit matter in the audit of the financial statements for the reporting year using our professional judgment. We have determined the matters described below to be the key audit matters to be the key audit matter to be communicated in our report and we not provided the opinion on those key audit matters separately.

Independent auditors' report (continued)

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matter
<p>Revenue recognition</p> <p>According to International Standards on Auditing, there is a fraud risk related to revenue recognition. As the management have a objectives and pressures to achieve the financial results, this risk is identified and arise through the revenue recognition process.</p> <p>Due to the above factors, we have considered revenue recognition as a key focus area in the financial statements.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> - We have examined the delivery of finished goods to customers based on approved prices, as well as the sales volume, revenue amount, and revenue recognition of inventories. - We focused on the timing, existence, and accuracy of revenue recognition controls. Additionally, we selected and tested specific controls implemented by management related to sales and revenue recognition. - We selected and examined sales transactions recorded near the year-end to verify whether revenue was recognized in the appropriate reporting period based on the terms of the sales agreements. This was done by comparing them with supporting documents such as dispatch records or customer acknowledgment of goods received. - We reviewed journal entries related to sales revenue to identify any entries made outside the normal revenue recognition process. - We analyzed the relevant financial statement disclosures to ensure compliance with IFRS 15 requirements.
<p>Government subsidised loans</p> <p>The government of Mongolia has provided the Company with loans at favorable interest rates to support investments in the value chain of agricultural product producers and cooperatives. Concessional loans with interest rates lower than the market rate must be recognized at fair value in accordance with IFRS 9.</p> <p>For the Company, the conditions set include loan repayment and service requirements, and the financing is to be used to expand and develop its operations.</p> <p>The management's calculation of the subsidised loan involved a significant judgment in evaluating the market interest rate applicable to loans with similar characteristics and conditions.</p> <p>As at 31 December 2024, the deferred revenue related to subsidized loans amounted to 1,179,377,821.90 MNT, which was material for the Company's financial statements.</p> <p>The Company's financial statement disclosures are provided in Notes 15.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> - We reviewed the relevant loan agreements and their amendments, - We assessed the company's compliance with them - We recalculated amounts related to newly granted or amended concessional loans, including the reversal of discounts on loans' fair values - We also evaluated the appropriateness of the relevant financial statement disclosures.

Independent auditors' report (continued)

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matter
<i>Inventory measurement</i>	
<p>IAS 2 Inventories requires the Company to record its inventories at the lower of cost and net realizable value.</p> <p>The calculation of net realizable value is determined by comparing the total cost to of inventory ready for sale with the net selling price.</p> <p>As at 31 December 2024, the carrying amount of inventories is 12,427,270,303.41 MNT (2023: 11,451,680,335.42 MNT). Please refer to Note 8 of the financial statements.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> - We assessed the accuracy of the production cost. - We estimated the costs associated with sales and, through the sales price approved by the Board of Directors, estimated the net realizable value. - We evaluated the appropriateness of the relevant disclosures in the financial statements.
<i>Revaluation of property, plant and equipment</i>	
<p>The Company conducted a revaluation procedures on it's property, plant, and equipment in 2024</p> <p>International Accounting Standard 16 allows the Company to use either the cost model or the revaluation model for the accounting of its property, plant, and equipment.</p> <p>As a result of the revaluation, the revaluation surplus was measured at 12,308,611,905.44 MNT.</p> <p>Please refer to Note 10 for disclosure on property, plant, and equipment.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> - We reviewed the revaluation report. - We identified the revaluation method and assessed whether the valuation approach and analysis used are in compliance with the standards. - We evaluated whether the post-revaluation financial disclosures are accurately presented.

GAZAR SHIM FACTORY JSC
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2024

<i>(MNT)</i>	2024.12.31	2023.12.31
ASSET		
Current asset		
Cash and cash equivalents	5,883,196,555.14	20,062,943,685.14
Account receivable	5,717,493,017.47	3,160,778,233.08
Inventory	12,427,270,303.41	11,451,680,335.42
Prepayments and other receivables	6,845,660,234.83	3,891,971,970.91
Total current assets	30,873,620,110.85	38,567,374,224.55
Non current asset		
Property, plant and equipment	22,542,740,979.47	7,999,488,901.58
Intangible asset	3,319,751,990.26	3,346,317,895.86
Construction in process	4,725,484,084.21	135,098,426.22
Deferred tax asset	-	1,535,175.49
Total non current asset	30,587,977,053.94	11,482,440,398.15
TOTAL ASSET	61,461,597,164.79	50,049,814,622.70
Liability and equity		
Liability		
Trade and other payables	1,465,533,168.57	932,714,029.09
Corporate income tax payable	421,365,864.94	791,192,312.81
Short term loan	2,046,472,246.21	1,717,690,617.78
Contract liability	-	567,057,720.00
Deferred revenue	514,083,918.53	785,642,715.20
Total current liabilities	4,447,455,198.25	4,794,297,394.88
Long term loan	3,584,706,096.91	5,603,354,488.59
Other long term liability	48,220,314.57	-
Deferred revenue	665,293,903.37	1,196,645,512.05
Total long term liability	4,298,220,314.85	6,800,000,000.64
Total liability	8,745,675,513.10	11,594,297,395.52
Equity		
Issued capital	131,792,452.77	131,792,452.77
Additional paid in capital	9,848,102,471.07	9,848,102,471.07
Revaluation surplus	12,308,611,905.44	-
Retained earning	30,427,414,822.41	28,475,622,303.34
Total equity	52,715,921,651.69	38,455,517,227.18
TOTAL LIABILITIES AND EQUITY	61,461,597,164.79	50,049,814,622.70

The accompanying notes form an integral part of the financial statements

GAZAR SHIM FACTORY JSC
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2024

<i>(MNT)</i>	2024.12.31	2023.12.31
Revenue	41,071,890,186.85	34,312,209,540.87
Cost of sales	(23,609,900,126.52)	(19,779,909,839.56)
Gross profit	17,461,990,060.33	14,532,299,701.31
General and administrative expenses	(2,928,770,401.26)	(2,356,975,389.40)
Selling and distribution expenses	(5,177,813,153.10)	(2,538,981,796.21)
Operation profit	9,355,406,505.97	9,636,342,515.70
Finance cost and expense	7,377,210.04	(403,001,745.73)
Other income	805,840,911.26	487,256,786.19
Other expenses	(1,177,390,821.07)	(1,970,780,913.29)
Profit before tax	8,991,233,806.20	7,749,816,642.87
Income tax expense	(1,432,271,478.37)	(1,213,274,535.86)
Net profit for the year	7,558,962,327.83	6,536,542,107.01
Total comprehensive income	19,867,574,233.27	6,536,542,107.01
Other comprehensive income	12,308,611,905.44	-
Revaluation surplus difference	12,308,611,905.44	-
Basic and diluted earnings per share for the year	16.60	5.46

The accompanying notes form an integral part of the financial statements

HAZAR SHIM FACTORY JSC
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2024

(MNT)	Issued capital	Additional paid in capital	Revaluation surplus	Other part of equity	Retained earning	Total
As at 01 January 2023	110,000,000.00	-	-	380,000,000.00	25,239,080,196.33	25,729,080,196.33
Changes in equity	-	-	-	-	-	-
Dividend	21,792,452.77	9,848,102,471.07	-	(380,000,000.00)	-	9,489,894,923.84
Profit for the year	-	-	-	-	(3,300,000,000.00)	(3,300,000,000.00)
As at 31 December 2023	131,792,452.77	9,848,102,471.07	-	-	6,536,542,107.01	6,536,542,107.01
Dividend	-	-	-	-	28,475,622,303.34	38,455,517,227.18
Other comprehensive income	-	-	-	-	(5,607,169,808.76)	(5,607,169,808.76)
Profit for the year	-	-	12,308,611,905.44	-	-	12,308,611,905.44
As at 31 December 2024	131,792,452.77	9,848,102,471.07	12,308,611,905.44	-	7,558,962,327.83	7,558,962,327.83
					30,427,414,822.41	52,715,921,651.69

The accompanying notes form an integral part of the financial statements

GAZAR SHIME FACTORY JSC
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2024

(MNT)	2024.12.31	2023.12.31
Operating activities		
Cash flows generated from operating activities:	44,282,941,964.95	37,306,254,923.32
Revenue	41,330,110,261.62	37,260,990,671.69
Received from insurance		
Other income	2,952,831,703.33	45,264,251.63
Cash flows used in operating activities:	42,987,663,584.80	30,416,935,529.51
Salary paid	5,017,253,596.78	3,398,058,496.88
Social health and insurance payment	1,087,802,935.02	1,045,987,898.96
Paid to suppliers	18,122,500,463.66	16,194,191,177.92
Operating expense payments	841,321,685.79	611,463,846.19
Payments for fuel, transportation, spare parts	3,414,958,581.72	1,858,381,792.76
Interest payment	540,740,753.33	259,486,092.92
Tax payment	7,216,020,514.57	4,796,596,751.65
Insurance payment	15,899,028.00	18,167,436.00
Other payment	6,731,166,025.93	2,234,602,036.23
Net cash flows generated from operating activities	1,295,278,380.15	6,889,319,393.81
Investment activities		
Received from property, plant and equipment disposal	5,000,000.00	40,000,000.00
Income from non current asset sale		
Interest received	401,278,371.38	129,058,697.49
Received from borrowers	1,979,415,862.48	2,147,741,035.72
Property, plant and equipment purchase	(8,833,489,381.23)	(1,433,257,960.00)
Intangible asset purchase	(48,643,590.00)	(3,002,640,000.00)
Investment		(615,400,499.71)
Transferred to borrowers	(779,952,510.90)	(269,970,264.00)
Net cash flows used in investing activities	(7,276,391,248.27)	(3,004,468,990.50)
Financing activities		
Proceeds from borrowings	-	8,000,000,000.00
Received from share issue	-	10,499,999,971.00
Repayment of borrowings	(2,458,950,590.46)	(1,271,999,999.92)
Dividend paid	(5,711,795,936.52)	(2,808,620,000.00)
Net cash flows (used)/generated in investing activities	(8,170,746,526.98)	14,419,379,971.08
Net increase/(decrease) in cash and cash equivalents	(14,151,859,395.10)	18,304,230,374.39
Effect of foreign exchange changes on cash and cash equivalents	(27,887,734.90)	(27,178,381.49)
Cash and cash equivalents at 1 January	20,062,943,685.14	1,785,891,692.24
Cash and cash equivalents at 31 December	5,883,196,555.14	20,062,943,685.14

The accompanying notes form an integral part of the financial statements