Central Express CVS JSC

International Financial Reporting Standards Consolidated and Separate Financial Statements and Independent Auditor's Report

31 December 2021

Contents

Independent Auditor's Report

To the Shareholders and Board of Directors of Central Express CVS JSC:

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Central Express CVS JSC (the "Company") and its subsidiaries (together – the "Group") as at 31 December 2021, and their consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Group's and the Company's consolidated and separate financial statements comprise:

- the consolidated and separate statement of financial position as at 31 December 2021;
- the consolidated and separate statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated and separate statement of changes in equity for the year then ended.
- the consolidated and separate statement of cash flows for the year then ended; and
- the notes to the consolidated and separate financial statements, which include significant accounting policies and other explanatory information.

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 consolidated and separate financial statements section of our report.

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

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Our audit approach

Overview

Materiality

- Overall Group materiality: Mongolian Togrogs ("MNT") 940 million, which represents 1% of revenue.
- Overall Company materiality: Mongolian Togrogs ("MNT") 940 million which represents 1% of revenue.

Group scoping

- Our Group audit scope covered the audit work at the Company and one subsidiary.
- Our audit scope addressed 100% of the Group's revenues and 100% of the Group's loss before tax.

Key audit matters

- Accounting treatment for business combination under common control

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated and separate financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated and separate financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group and Company materiality for the consolidated and separate financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the consolidated and separate financial statements as a whole.

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Our audit approach (continued)

Overall Group materiality	MNT 940,000 thousand
Overall Company materiality	MNT 940,000 thousand
How we determined it	1% of total revenue
Rationale for the materiality benchmark applied	We chose revenue as the benchmark because, in our view, it is the benchmark against which the performance of the Group and the Company is most commonly measured by users and is a generally accepted benchmark. We chose 1% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Accounting treatment for business combination under common control *Refer to Notes 4, 11 and 35* On 8 June 2021, the Group had obtained control over Premium Distribution LLC by acquisition of 100% interest in Premium Distribution LLC from Premium Group LLC, a former ultimate parent company of Central Express CVS JSC. The Group's management classified this transaction as a business combination under common control based on the definition of a business in IFRS 3, Business Combination, and recognised it using the acquisition method. A consideration of MNT 7,724,396 thousand was paid to former owners of Premium Distribution LLC in form of ordinary shares of the Company.	The audit procedures we have performed to address the key audit matter consisted of the following: 1) Assessment of reasonableness of the Group's accounting treatment used for recognition of the acquision of Premium Distribution LLC. 2) Review of the legal documents related to the acquisition of Premium Distribution LLC. 3) Assessment reasonableness of provisional and fair values of the assets and liabilities recognised as a result of the acquisition of Premium Distribution LLC. 4) Check of accuracy of the calculation of goodwill arising in connection with the acquisition of Premium Distribution LLC, which is the difference between the consideration paid to the former owner and the provisional and fair value of the new identifiable assets and liabilities.

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Our audit approach (continued)

Key audit matter (continued)	How our audit addressed the key audit matter (continued)
As of 31 December 2021, the Group applied provisional amounts for the acquired assets and liabilities as the assessment of fair value of the business combination was not complete at the end of the reporting period. We focused on this area due to its overall materiality and complexity of the accounting treatment for business combination under common control.	5) Review of the disclosures, including disclosure of the accounting policy, significant judgements and description of the acquisition of Premium Distribution LLC, assessment of their adequacy and completeness and compliance with IFRS.

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

We planned and determined the scope of our audit for 2021 taking into account the Group's structure. The Group includes the Company and its subsidiary primarily domiciled in Mongolia and operating activities are carried out in Mongolia. Financial information of these entities is included in the consolidated financial statements of the Group.

We performed our audit procedures that covered 100% of the Group's total revenue as at 31 December 2021.

The procedures performed have enabled us to obtain sufficient appropriate audit evidence in relation to the consolidated financial statements of the Group and provide a basis for our audit opinion on it.

Other information

Management is responsible for the other information. The other information comprises Annual Report for financial year ended 31 December 2021 (but does not include the consolidated and separate financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, 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 consolidated and separate financial statements

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

In preparing the consolidated and separate financial statements, management is responsible for assessing the Group's and 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 Group and the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's and the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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 consolidated and separate financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and 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 Group's and 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 consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

Auditor's responsibilities for the audit of the consolidated and separate financial statements (continued)

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and separate 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.

The engagement partner on the audit resulting in this independent auditor's report is Shaukat Tapia.

Signed by:

ПРАЙСУОТЕРХАУСКУПЕРС АУДИТ ХХК
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PRICEWATERHOUSECOOPERS AUDIT LLC

Bayarmaa Davaa
Executive Director
PricewaterhouseCoopers Audit LLC

Approved by:

Shaukat Tapia
Partner
PricewaterhouseCoopers Audit LLC

15 April 2022

Ulaanbaatar, Mongolia

Management's Responsibility Statement

We, Chinzorig G, being the Chief Executive Officer of Central Express CVS JSC (the "Group"), and Dashdorj S, being Director of Finance of the Group, do hereby state that, in our opinion, the Accompanying Consolidated and Separate Financial Statements set out on Pages 1 through 49 present fairly, in all material respects, the financial position of the company as at 31 December 2021 and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Chinzorig G.

Chief Executive Officer

Dashdorj S., CFA

Director of Finance Department

		Consolidated		Separate	
In thousands of Mongolian Togrogs	**Note**	**31 December 2021**	**31 December 2020**	**31 December 2021**	**31 December 2020**
ASSETS					
Non-current assets					
Property, plant, and equipment	9	40,471,007	17,916,171	25,390,869	17,916,171
Right-of-use assets	10	22,599,622	16,813,036	22,011,451	16,813,036
Investment in subsidiary	11	-	-	7,724,396	-
Finance lease receivables	13	4,092,438	2,062,987	4,092,438	2,062,987
Intangible assets	12	2,909,300	2,808,115	2,797,336	2,808,115
Goodwill	11	2,818,907	-	-	-
Other receivables	17	1,075,318	404,800	514,392	404,800
Other non-current advances	16	415,869	369,717	415,869	369,717
Deferred income tax assets	32	279,073	240,809	295,519	240,809
Total non-current assets		**74,661,534**	**40,615,635**	**63,242,270**	**40,615,635**
Current assets					
Investments in debt securities	18	14,861,351	-	14,861,351	-
Inventories	15	14,072,542	6,710,974	13,300,216	6,710,974
Cash and cash equivalents	19	4,061,156	6,104,077	3,880,540	6,104,077
Prepayments	16	2,926,557	1,844,388	4,076,307	1,844,388
Trade and other receivables	17	2,419,423	1,469,744	2,627,869	1,469,744
Loan issued	14	2,016,877	-	2,016,877	-
Finance lease receivables - current	13	453,435	171,821	453,435	171,821
Total current assets		**40,811,341**	**16,301,004**	**41,216,595**	**16,301,004**
TOTAL ASSETS		**115,472,875**	**56,916,639**	**104,458,865**	**56,916,639**
EQUITY					
Share capital	20	81,776,864	17,145,256	81,776,864	17,145,256
Share premium	20	13,820,503	-	13,820,503	-
Accumulated deficit		(51,591,071)	(33,525,294)	(49,870,998)	(33,525,294)
TOTAL EQUITY		**44,006,296**	**(16,380,038)**	**45,726,369**	**(16,380,038)**
LIABILITIES					
Non-current liabilities					
Long-term lease liabilities	10	26,918,102	19,570,737	26,776,866	19,570,737
Long-term borrowings	21	14,411,323	10,520,000	7,234,171	10,520,000
Other long-term liabilities		89,444	-	-	-
Total non-current liabilities		**41,418,869**	**30,090,737**	**34,011,037**	**30,090,737**
Current liabilities					
Trade and other payables	24	22,665,543	24,320,649	20,204,431	24,320,649
Lease liabilities	10	3,807,028	1,627,744	3,011,657	1,627,744
Borrowings	21	2,077,020	16,360,739	83,877	16,360,739
Contract liabilities	25	973,614	457,164	954,316	457,164
Other tax payable	23	474,627	439,644	417,300	439,644
Current income tax payable	32	49,878	-	49,878	-
Total current liabilities		**30,047,710**	**43,205,940**	**24,721,459**	**43,205,940**
TOTAL LIABILITIES		**71,466,579**	**73,296,677**	**58,732,496**	**73,296,677**
TOTAL LIABILITIES AND EQUITY		**115,472,875**	**56,916,639**	**104,458,865**	**56,916,639**

Approved for issue and signed on 15 April 2022.

CENTRAL EXPRESS CVS JSC
СЭНТРАЛ ЭКСПРЕСС СИ ВИ ЭС

Chinzorig G.
Chief Executive Officer

Dashdorj S., CFA
Director of Finance Department

The accompanying notes on pages 5 to 49 are an integral part of these consolidated and separate financial statements.

		Consolidated		Separate	
In thousands of Mongolian Togrogs	Note	2021	2020	2021	2020
Revenue from contracts with customers	26	94,038,017	45,348,032	94,271,990	45,348,032
Cost of sales	27	(100,906,088)	(50,706,836)	(100,177,420)	(50,706,836)
Gross loss		**(6,868,071)**	**(5,358,804)**	**(5,905,430)**	**(5,358,804)**
General, administrative, and selling expenses	28	(7,854,845)	(5,102,425)	(7,682,385)	(5,102,425)
Other gains/(losses), net	29	689,059	(33,610)	696,280	(33,610)
Other income		250,167	-	224,392	-
Operating loss		**(13,783,690)**	**(10,494,839)**	**(12,667,143)**	**(10,494,839)**
Finance costs	30	(5,700,493)	(5,588,408)	(5,093,505)	(5,588,408)
Finance income	31	1,429,902	159,415	1,429,902	159,415
Loss before income tax		**(18,054,281)**	**(15,923,832)**	**(16,330,746)**	**(15,923,832)**
Income tax expense	32	(11,496)	195,737	(14,958)	195,737
LOSS FOR THE YEAR		**(18,065,777)**	**(15,728,095)**	**(16,345,704)**	**(15,728,095)**
Other comprehensive profit for the year		-	-	-	-
Total comprehensive loss for the year		**(18,065,777)**	**(15,728,095)**	**(16,345,704)**	**(15,728,095)**
Loss per ordinary share for loss from continuing operations attributable to the owners of the Company, basic and diluted (in MNT per share)	33	(37.78)	(91.73)	(34.18)	(91.73)

In thousands of Mongolian Togrogs	Note	Share capital	Share premium	Accumulated deficit	Total equity
Consolidated					
Balance at 1 January 2020		**17,145,256**	**-**	**(17,797,199)**	**(651,943)**
Losses for the period		-	-	(15,728,095)	(15,728,095)
Other comprehensive loss for 2020		-	-	-	-
Balance at 31 December 2020		**17,145,256**	**-**	**(33,525,294)**	**(16,380,038)**
Losses for the period		-	-	(18,065,777)	(18,065,777)
Other comprehensive loss for 2021		-	-	-	-
Issued shares	20	64,631,608	13,820,503		78,452,111
Balance at 31 December 2021		**81,776,864**	**13,820,503**	**(51,591,071)**	**44,006,296**
Separate					
Balance at 1 January 2020		**17,145,256**		**(17,797,199)**	**(651,943)**
Losses for the period		-		(15,728,095)	(15,728,095)
Other comprehensive loss for 2020		-		-	-
Balance at 31 December 2020		**17,145,256**		**(33,525,294)**	**(16,380,038)**
Losses for the period		-		(16,345,704)	(16,345,704)
Other comprehensive loss for 2021		-		-	-
Issued shares	20	64,631,608	13,820,503	-	78,452,111
Balance at 31 December 2021		**81,776,864**	**13,820,503**	**(49,870,998)**	**45,726,369**

		Consolidated		Separate	
In thousands of Mongolian Togrogs	**Note**	**2021**	**2020**	**2021**	**2020**
Cash flows from operating activities:					
Loss before income tax	33	(18,054,281)	(15,923,832)	(16,330,746)	(15,923,832)
Adjustments for:					
Depreciation of property, plant and equipment	9	5,182,885	3,048,671	4,397,514	3,048,671
Loss from disposal of fixed assets	9	30,992	-	30,992	-
Asset write off	9	29,913	76,645	29,913	76,645
Amortization of intangible assets	12	544,890	454,885	537,831	454,885
Inventory write-off	15	3,571,046	26,870	3,496,895	26,870
Bad debt expense	17	145,538	1,052	144,538	1,052
Depreciation of Right-of-use asset	10	3,624,673	1,823,177	3,195,132	1,823,177
Foreign exchange differences	29	52,740	145,819	52,725	145,819
Finance income	31	(1,429,902)	(159,415)	(1,429,902)	(159,415)
Finance cost	30	5,700,493	5,716,607	5,093,505	5,716,607
Gain on disposal of Right-of-use asset	10	(706,646)	(234,568)	(706,646)	(234,568)
Operating cash flows before working capital changes		**(1,307,659)**	**(5,024,089)**	**(1,488,249)**	**(5,024,089)**
Changes in working capital:					
Increase in trade and other receivables	17	(477,454)	(654,374)	(1,412,255)	(654,374)
Increase in inventories	15	(10,525,886)	(2,713,153)	(10,086,138)	(2,713,153)
Increase in trade and other payables	24	14,989,550	17,331,645	15,812,908	17,331,645
Increase in prepayments	16	(1,726,873)	(977,941)	(1,862,202)	(977,941)
Decrease in other tax payable	23	(49,719)	(77,196)	(22,344)	(77,196)
Increase in contract liabilities	25	516,450	410,500	497,152	410,500
Operating cash flows after working capital changes		**1,418,409**	**8,295,392**	**1,438,872**	**8,295,392**
Interest paid for borrowings	22	(1,770,685)	(2,240,343)	(1,209,127)	(2,240,343)
Income taxes paid	32	(19,790)	(45,072)	(19,790)	(45,072)
Interest paid for lease liabilities	22	(3,987,607)	(2,974,883)	(3,927,317)	(2,974,883)
Interest received		573,856	159,415	573,856	159,415
Net cash used in operating activities		**(3,785,817)**	**3,194,509**	**(3,143,506)**	**3,194,509**
Cash flows from investing activities:					
Purchase of property, plant and equipment	9	13,739,877)	(7,951,042)	(12,561,674)	(7,951,042)
Proceeds from sale of equipment	9	25,863	174,232	25,863	174,232
Purchase of intangible assets	12	(542,004)	(353,020)	(527,052)	(353,020)
Proceeds from sale of intangible assets	12	-	3,251	-	3,251
Receipt from finance lease receivable	10	338,880	571,097	338,880	571,097
Acquisition of subsidiaries, net of cash acquired	36	242,776	-	-	-
Loans granted to related parties	14	(2,000,000)	-	(2,000,000)	-
Acquisition of debt securities at FVTPL	18	(14,700,000)	-	(14,700,000)	-
Net cash used in investing activities		**(30,374,362)**	**(7,555,482)**	**(29,423,983)**	**(7,555,482)**
Cash flows from financing activities					
Proceeds from issue of share capital	20	29,616,600	-	29,616,600	-
Proceeds from borrowings	22	5,192,725	13,787,912	2,886,667	13,787,912
Payment of finance lease liabilities	10	(2,122,067)	(717,602)	(1,742,648)	(717,602)
Payment on borrowings	22	(570,000)	(3,241,964)	(416,667)	(3,241,964)
Net cash from financing activities		**32,117,258**	**9,828,346**	**30,343,952**	**9,828,346**
Effect of exchange rate changes on cash and cash equivalents	29	-	(14,780)	-	(14,780)
Net (decrease)/increase in cash and cash equivalents	19	(2,042,921)	5,467,373	(2,223,537)	5,467,373
Cash and cash equivalents at the beginning of year		**6,104,077**	**651,484**	**6,104,077**	**651,484**
Cash and cash equivalents at end of the year		**4,061,156**	**6,104,077**	**3,880,540**	**6,104,077**

The accompanying notes on pages 5 to 49 are an integral part of these consolidated and separate financial statements.

1 Central Express CVS JSC and its Operations

These consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") for the year ended 31 December 2021 for Central Express CVS JSC (the "Company") and its subsidiary (the "Group").

The Company was incorporated and is domiciled in Mongolia. The Company was established in accordance with Mongolian regulations. The Company was registered with the State Registration Office on 22 February 2017 and was granted a State Registration Certificate no. 9007001006 with a Company Registration no. 6155804.

As at 31 December 2020 the Company was a limited liability company and the Company's immediate and ultimate parent company was Premium Group LLC, a company incorporated in Mongolia. The Company is 90.1% owned by PG, which is ultimately controlled by Mr. Ganbold A., Mr. Gankhuyag A., citizens of Mongolia, and 9.99% owned by BGF Retail Co. Ltd, Korean-based company.

On 8 June 2021 the Company's ownership structure has changed in accordance with the Shareholder's Agreement. 90.1% of all outstanding ordinary shares of the Company held by Premium Group LLC have been transferred to 8 shareholders, 7 of which are also shareholders of Premium Group LLC.

On 12 November 2021, the Company was registered in TIER 3 of the Mongolian Stock Exchange and issued 137,960,969 new shares with issue price MNT 208 per share (16.87% of the Company) (par value MNT 100 per share) and raised MNT 27,616,560 thousand, less transaction cost, in equity capital (Refer to Note 20).

After successful listing, the Company now is a public joint stock company.

Table below shows company's shareholding structure for shareholders who own 5% or more of the Company's shares as at 31 December 2021. The Company is ultimately controlled by two brothers, Mr. Ganbold A. and Mr. Gankhuyag A., citizens of Mongolia.

No	Shareholders	Ownership
1	Gankhuyag A.	29.0%
2	Ganbold A.	21.1%
3	Bayarjargal Ts.	10.8%
4	BGF RETAIL CO LTD	8.3%
5	Other investors (less than 5%)	30.8%
	Total	**100.0%**

The Company's management is comprised of the Board of Directors and executive management. Shareholders control the Company by holding Shareholder's meeting and attending Board of Directors meetings.

As at 31 December 2021 members of the Company's Board of Directors were:

- Gankhuyag A., Chairman of the Board of Directors;
- Ganbold A., Member of Board of Directors;
- Batmunkh O., Member of Board of Directors;
- Bat-Erdene G., Member of Board of Directors;
- Chinzorig G., Member of Board of Directors and Chief Executive Officer of the Company;
- Mergen Ch., Independent Non-executive Director;
- Gary Stephen Biondo, Independent Non-executive Director;
- Enkhbold N., Independent Non-executive Director.

As at 31 December 2020 members of the Company's Board of Directors were:

- Gankhuyag A., Chairman of the Board of Directors;
- Ganbold A., Member of Board of Directors;
- Batmunkh O., Member of Board of Directors;
- Bat-Erdene G., Member of Board of Directors;
- Chinzorig G., Member of Board of Directors and Chief Executive Officer of the Company.

Principal activity. The Group's principal business activity is operation of chain convenience stores that sell retail goods within Mongolia. On 18 April 2018 the Company entered into a Master Franchise Agreement with BGF Retail Co. Ltd, Korean-based company principally engaged in the operation of convenience stores, and re-branded stores to convenience store brand of Korea, "CU".

The number of stores as at 31 December 2021 was 165 (2020: 105), of which 143 are Company owned stores (2020: 96) and 22 are Sub-franchise stores (2020: 9).

1 Central Express CVS JSC and its Operations (Continued)

The number of the Group's employees as at 31 December 2021 was 1,855 (2020: 1,145).

Registered address and place of business. The Group's registered address is 11th floor, Dalai tower, UNESCO St 31, 1st region, Sukhbaatar district, Ulaanbaatar, Mongolia.

Presentation currency. These consolidated and separate financial statements are presented Mongolian Togrogs ("MNT"), unless otherwise stated.

2 Operating Environment of the Group

Mongolia displays many characteristics of an emerging market including relatively high inflation and interest rates. After growing close to 6 percent on average in 2017-2019, the Mongolian economy has contracted amid adverse impact of the COVID-19 pandemic, slow inbound foreign investment into the country and pre-existing macroeconomic vulnerabilities. Following the global economic recovery and rising mineral prices in the international market, the country's economy growth is expected to reach 6.7 percent in 2021 and 7 percent in 2022. However, recovery remains dissimilar among economic sectors and their outlook is uneven, and the uncertainty has not reduced with respect to the domestic spread of the COVID-19 pandemic

The country's rating was stood at B with stable outlook on 29 July 2021 by Standard and Poor's Rating Services. Moody's rating agency announced Mongolia's credit rating was "B" dated on 16 March 2021. The following factors are key role in maintaining the credit rating of 'B': sustainable economic growth in Mongolia; improve budget discipline led by the Government; commodity prices.

Current uncertainty in the world economy, volatility of financial markets, decline in global prices of commodities, the emergence and spread of the new coronavirus, COVID-19, slowdown of growth of Chinese economy, slowdown of Mongolian economy, depreciation of MNT against USD and EUR, and other potential risks could have a significant negative effect on the Mongolian financial and corporate sectors.

The future economic performance of Mongolia continues to be tied to the continuing demand for commodities from China, continuing high global prices for commodities, the effectiveness of economic, financial and monetary measures undertaken by the Government of Mongolia, and tax, legal, regulatory and political developments. To reduce the impact on the economy, the Government of Mongolia announced tax waivers with regard to Social insurance taxes, tax credits to be carried forward for entities providing lease payment waivers which impacted the Group's business results.

3 Significant Accounting Policies

Basis of preparation. These consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, and financial instruments categorised at fair value through profit or loss. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Management prepared these consolidated and separate financial statements on a going concern basis. These consolidated and separate financial statements therefore do not include any adjustments relating to the recoverability and classification of recorded asset and liability.

The preparation of consolidated and separate financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated and separate financial statements are disclosed in Note 4.

Consolidated financial statements. Subsidiaries are those investees, that the Group controls because the Group (i) has power to direct the relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of the investor's returns. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date on which control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries. Identifiable

3 Significant Accounting Policies (Continued)

assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and the fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill" or a "bargain purchase") is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all the liabilities and contingent liabilities assumed and reviews the appropriateness of their measurement.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including the fair value of assets or liabilities from contingent consideration arrangements, but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs related to the acquisition of and incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt as part of the business combination are deducted from the carrying amount of the debt and all other transaction costs associated with the acquisition are expensed.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

Investment in subsidiaries (for the separate financial statements). Investment in subsidiaries is accounted for at cost, which is the consideration paid to acquire. Investments accounted for at cost are not subsequently remeasured. Such investments are measured in the separate financial statements at the original cost of the investment until the investment is de-recognised or impaired.

Foreign currency translation. The functional currency of the Company and its subsidiaries is the currency of the primary economic environment in which the Company and its subsidiaries operates. The functional currency of the Company and its subsidiaries, and the Group's presentation currency, is the national currency of Mongolia, Mongolian Togrogs ("MNT"). The consolidated financial statements are presented in Mongolian Togrogs ("MNT"), which is the Group's presentation currency.

Transactions and balances. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the official exchange rate of the Bank of Mongolia ("BoM") at the respective end of the reporting period. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into the Group's functional currency at year-end official exchange rates of the BoM are recognised in profit or loss. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of profit or loss and other comprehensive income within 'finance income' or 'finance cost'. All other foreign exchange gains and losses are presented in the statement of profit or loss and other comprehensive income within 'Other gains/(losses), net'. Translation at year-end rates does not apply to non-monetary items that are measured at historical cost. Non-monetary items measured at fair value in a foreign currency, including equity investments, are translated using the exchange rates at the date when the fair value was determined. Effects of exchange rate changes on non-monetary items measured at fair value in a foreign currency are recorded as part of the fair value gain or loss.

At 31 December 2021, the principal rate of exchange used for translating foreign currency balances were USD 1 = MNT 2,848.80 (2020: USD 1 = 2,849.51) and KRW 1 = MNT 2.40 (2020: KRW 1 = MNT 2.63). The principal average rate of exchange used for translating income and expenses was the spot rate ruling on the date of the transaction.

Property, plant and equipment. Property, plant and equipment are stated at cost, less accumulated depreciation and provision for impairment, where required.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Costs of minor repairs and day-to-day maintenance are expensed when incurred. Cost of replacing major parts or components of property, plant and equipment items are capitalised and the replaced part is retired.

At the end of each reporting period management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable

3 Significant Accounting Policies (Continued)

amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed where appropriate if there has been a change in the estimates used to determine the asset's value in use or fair value less costs of disposal.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss for the year within other gains/(losses), net.

Depreciation. Land is not depreciated. 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:

	Useful lives in years
Buildings	25 years
Plant and equipment	10 years
Machinery and vehicles	10 years
Furniture, and office equipment	10 years
Leasehold improvements	Shorter of useful live and term of the underlying lease

The residual value of an asset is the estimated amount that the Group would currently obtain from the disposal of the asset less the estimated costs of disposal, if the asset was 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.

Right-of-use assets. The Group leases various premises for stores. Rental contracts are typically made for fixed periods of 2 years to 10 years.

Right-of-use assets are measured at cost in the amount of the initial measurement of lease liability.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying assets' useful lives.

Depreciation on the items of the right-of-use assets is calculated using the straight-line method over their estimated useful lives as follows:

	Useful lives in years
Space areas	7-9 years
Vehicles	1-2 years
Warehouse	3 years

Inventory. Inventories are recorded at the lower of cost and net realisable value. The cost of inventory for construction materials and supply materials are determined on first-in, first-out (FIFO) basis. The cost of inventory for goods for resale is determined on Retail Inventory Method (RIM). Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

Intangible assets other than goodwill. The Group's intangible assets other than goodwill have definite useful lives and primarily include capitalised franchise fee and software licences.

Intangible assets are amortised using the straight-line method over their useful lives:

	Useful lives in years
Franchise fee	10 years
Software licences	5 years
Land use right	25 years

The intangible assets' residual values, useful lives and method of amortization are reviewed, and adjusted if appropriate, at the end of each reporting period.

If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less costs of disposal.

Goodwill. Goodwill is carried at cost less accumulated impairment losses, if any. Goodwill is allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination. Such units or groups of units represent the lowest level at which

3 Significant Accounting Policies (Continued)

the Group monitors goodwill and are not larger than an operating segment.

The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. The carrying value of the cash-generating unit containing goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Gains or losses on disposal of an operation within a cash generating unit ("CGU") to which goodwill has been allocated include the carrying amount of goodwill associated with the disposed operation, generally measured on the basis of the relative values of the disposed operation and the portion of the cash-generating unit which is retained.

Financial instruments - key measurement terms. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is the price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the number of instruments held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost ("AC") is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses *("ECL")*. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to the maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the gross carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate. For assets that are purchased or originated credit impaired ("POCI") at initial recognition, the effective interest rate is adjusted for credit risk, i.e. it is calculated based on the expected cash flows on initial recognition instead of contractual payments.

Financial instruments – initial recognition. Financial instruments at FVTPL are initially recorded at fair

3 Significant Accounting Policies (Continued)

value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an ECL allowance is recognised for financial assets measured at AC and investments in debt instruments measured at FVOCI, resulting in an immediate accounting loss.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Group commits to deliver a financial asset. All other purchases are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial assets – classification and subsequent measurement – measurement categories. The Group classifies financial assets in the following measurement categories: FVTPL, FVOCI and AC. The classification and subsequent measurement of debt financial assets depends on: (i) the Group's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

Financial assets – classification and subsequent measurement – business model. The business model reflects how the Group manages the assets in order to generate cash flows – whether the Group's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows",) or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Group undertakes to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the Group in determining the business model include the purpose and composition of a portfolio, past experience on how the cash flows for the respective assets were collected, how risks are assessed and managed, how the assets' performance is assessed and how managers are compensated.

Financial assets – classification and subsequent measurement – cash flow characteristics. Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Group assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed.

Financial assets – reclassification. Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model. The entity did not change its business model during the current and comparative period and did not make any reclassifications.

Financial assets impairment – credit loss allowance for ECL. The Group assesses, on a forward-looking basis, the ECL for debt instruments measured at AC. The Group measures ECL and recognises Net impairment losses on financial assets at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Debt instruments measured at AC, trade and other receivables, loans issued, and contract assets are presented in the statement of financial position net of the allowance for ECL.

The Group applies simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for impairment of trade and lease receivable. For other financial assets the Group applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events

3 Significant Accounting Policies (Continued)

possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Group identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). Refer to Note 38 for a description of how the Group determines when a SICR has occurred. If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The Group's definition of credit impaired assets and definition of default is explained in Note 38. For financial assets that are purchased or originated credit-impaired ("POCI Assets"), the ECL is always measured as a Lifetime ECL. Note 38 provides information about inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the Group incorporates forward-looking information in the ECL models.

Financial assets – write-off. Financial assets are written-off, in whole or in part, when the Group exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Group may write-off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

Financial assets - derecognition. The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement whilst (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all the risks and rewards of ownership but not retaining control.

Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Financial assets – modification. The Group sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Group assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset (eg profit share or equity-based return), significant change in interest rate and change in the currency denomination.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Group derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Group also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Group compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Group recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets), and recognises a modification gain or loss in profit or loss.

Financial liabilities – measurement categories. Financial liabilities are classified as subsequently measured at AC, except for (i) financial liabilities at FVTPL: this classification is applied financial liability from share based payment arrangement and other financial liabilities designated as such at initial recognition and (ii) loan commitments.

Financial liabilities – derecognition. Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

An exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are

accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in,

3 Significant Accounting Policies (Continued)

changes in the type of interest rate, new conversion features attached to the instrument and change in loan covenants are also considered. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

Offsetting financial instruments. Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) in the event of default and (iii) in the event of insolvency or bankruptcy.

Cash and cash equivalents. Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL. Features mandated solely by legislation, such as the bail-in legislation in certain countries, do not have an impact on the SPPI test, unless they are included in contractual terms such that the feature would apply even if the legislation is subsequently changed.

Trade and other receivables. Trade and other receivables are recognised initially at fair value and are subsequently carried at AC using the effective interest method.

Trade and other payables. Trade payables are accrued when the counterparty performs its obligations under the contract and are recognised initially at fair value and subsequently carried at AC using the effective interest method.

Borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred, and are subsequently carried at AC using the effective interest method.

Finance lease receivables. Where the Group is a lessor in a sub-lease which transfers substantially all the risks and rewards incidental to ownership to the lessee, the assets leased out are presented as a finance lease receivable at amount equal to the net investment in the lease. At the commencement date measurement of the net investment in the lease comprises the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives payable,
- amounts expected to be receivable by the Group under residual value guarantees,
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Finance lease receivables are initially recognised at commencement (when the lease term begins), using a discount rate implicit in the lease to measure net investment in the lease.

The difference between the gross receivable and the present value represents unearned finance income. This income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return. Incremental costs directly attributable to negotiating and arranging the lease are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term. Finance income from sub-leases is recorded within finance income in profit or loss for the year.

Credit loss allowance is recognised using a simplified approach at lifetime ECL. The ECL is determined in the same way as for trade receivables. The ECL is recognised through an allowance account to write down the receivables' net carrying amount to the present value of expected cash flows discounted at the interest rates implicit in the finance leases. The estimated future cash flows reflect the cash flows that may result from obtaining and selling the assets subject to the lease.

Lease liabilities. Liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

3 Significant Accounting Policies (Continued)

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date,
- amounts expected to be payable by the Group under residual value guarantees,
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Extension and termination options are included in several office leases across the Group. These terms are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. Most of the extension and termination options held are exercisable only by the Group and not by the respective lessor. Extension options (or period after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases of the Group, the Group's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, collateral and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk, and
- makes adjustments specific to the lease, e.g. term, country, currency and collateral

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance costs. The finance costs are charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Equipment with value MNT 15,000 thousand or less.

Income taxes. Income taxes have been provided for in the consolidated financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if the consolidated financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised.

3 Significant Accounting Policies (Continued)

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that the temporary difference will reverse in the future and there is sufficient future taxable profit available against which the deductions can be utilised.

Value added tax. Output value added tax related to sales is payable to tax authorities on the earlier of (a) collection of receivables from customers or (b) delivery of goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases is recognised in the separate statement of financial position on a gross basis and disclosed separately as an asset and liability. Where provision has been made for the ECL of receivables, the impairment loss is recorded for the gross amount of the debtor, including VAT. According to article 14.1.5 of the VAT Law, VAT paid regarding the purchase and construction of equipment is deferred and amortised over 5 years following the date of purchase or construction for offset against VAT payable. Deferred VAT receivable that is expected to be utilised or deducted within twelve months after the reporting period is included in current assets and the amount that is expected to be utilised or deducted for more than twelve months after the reporting period is included in other non-current assets, respectively.

Prepayments. 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 relates 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 the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. 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.

Share capital. Common shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

Related party transactions. In the normal course of business, the Group enters into transactions with its related parties. IFRS 9 requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analyses. Terms and conditions of related party balances are disclosed in Note 8.

Revenue recognition. Revenue is income arising in the course of the Group's ordinary activities. Revenue is recognised in the amount of transaction price. Transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties. Revenue is recognised net of discounts, returns and value added taxes, export duties, excise tax, other similar mandatory payments.

Sales of goods.

(a) The Group operates a chain of retail stores. Revenue from the sale of goods is recognized when the Group sells a product to the customer.

(b) Payment of the transaction price is due immediately when the customer purchases the product. It is the Group's policy to sell its products to the end customer with a right of return within 24 hours. The number of products returned has been insignificant over the years, it is highly probable that a significant reversal in the cumulative revenue recognized will not occur.

(c) The Group operates a loyalty program where retail customers accumulate points for purchases made which entitle them to a discount on future purchases. A contract liability for the award points is recognized at the time of the sale. A contract liability is recognized until the points are redeemed. Revenue is recognized when the points are redeemed.

(d) The Group from time to time offers a customer incentive promotion "buy three, get for one free". This is a material right which is accounted for as a separate performance obligation. An element of the transaction price is allocated to the material right using the relative stand-alone selling price. Free products rights is exercised at the time of the last purchase with 100% redemption and revenue recognised at point in time.

(e) Revenue from the sales with discounts is recognised based on the selling price, net of the discounts.

3 Significant Accounting Policies (Continued)

Sub-franchise revenue income. Sales are recognised when control of the good has transferred, being when the goods are delivered to the sub-franchise stores, the sub-franchise stores have full discretion over the goods, and there is no unfulfilled obligation that could affect the sub-franchisee's acceptance of the goods. Delivery occurs when the goods have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the sub-franchisee, and either the sub-franchisee has accepted the goods in accordance with the contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Royalty for use of brand name. The Group grants a sub-franchise the right to operate as store using the Group's brand name, where upfront payment is received. The sub-franchise right is a distinct performance obligation, which is transferred over time. Upfront payments for sub-franchise fee is recognized on a straight-line basis over the term of the franchise agreement. A contract liability is recognized for the transaction price which is allocated to the future periods.

Other service revenue. The Group provides services under fixed-price and variable price contracts. Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period.

Where the contracts include multiple performance obligations, the transaction price is allocated to each separate performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin.

In case of fixed-price contracts, the customer pays the fixed amount based on the contract.

If the contract includes variable consideration, revenue is recognised only to the extent that it is highly probable that there will be no significant reversal of such consideration.

Interest income. Interest income is recorded for all debt instruments, other than those at FVTPL, on an accrual basis using the effective interest method. This method defers, as part of interest income, all fee received between the parties to the contract that are an integral part of the effective interest rate, all other premiums or discounts. Interest income on debt instruments at FVTPL calculated at nominal interest rate is presented within 'finance income' line in profit or loss.

Fees integral to the effective interest rate include origination fees received or paid by the Group relating to the creation or acquisition of a financial asset, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents.

Government grants. Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in profit or loss for the year as other income over the period necessary to match them with the costs that they are intended to compensate.

Staff costs and related contributions. Wages, salaries and other salary related expenses are recognized as an expense in the year in which the associated services are rendered by the Group's employees. Short term accumulating compensated absences such as paid annual leave are recognized when services rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognized when absences occur.

As required by law, companies in Mongolia make contributions to the government pension scheme - Social

Security and Health Insurance Fund. Such contributions are recognized as an expense in the profit or loss as incurred. The Group has no legal or constructive obligation to make pension or similar benefit payments beyond the payments to the statutory defined contribution scheme.

Earnings per share. Earnings per share are determined by dividing the profit or loss attributable to owners of the Group by the weighted average number of participating shares outstanding during the reporting year.

Segment reporting. Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker. The CODM has been identified as the Board of Directors and executive management of the Group. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments. Reportable segments whose revenue, result or assets are ten percent or more of all the segments are reported separately.

3 Significant Accounting Policies (Continued)

Business combination. The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. Under acquisition method, the consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any previously held interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

The consideration transferred is also measured at fair value.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- acquisition-date fair value of any previous equity interest in the acquired entity,
- the amount of any non-controlling interest in the acquiree

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase.

4 Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the amounts recognised in the consolidated financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Accounting treatment of business combination under common control. The Management has applied the acquisition method for the acquisition of Premium Distribution LLC, considering following facts and circumstances:

- the Company is not fully owned by the controlling party but the non-controlling interest in affected by this transaction,
- the transaction was undertaken in connection with an IPO of the Company and for the purpose of internal simplification the structure and operation of the Company.

The Group uses provisional values at the acquisition date, if the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs. In such case, the final fair values are determined no later than 1 year from the acquisition date with the retrospective adjustments to the values recognized at the acquisition date. (for the acquisition made in June 2021, Refer Note 35)

Estimated impairment of goodwill. The group tests whether goodwill has suffered any impairment on annual basis or whenever there are impairment indicators. Food production and distribution center was determined as separate CGU, as it has independence of cash flows. The management monitors the CGU's cashflow separately and makes decisions about the operation of this CGU. For the annual test as at 31 December 2021 reporting period, the recoverable amount of the CGU to which the goodwill of MNT 2,818,907 was allocated, was determined based on value-in-use calculations which require the use of assumptions in determining the CGU's cash flows. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period.

4 Critical Accounting Estimates and Judgements in Applying Accounting Policies (Continued)

The following table sets out the key assumptions for those CGUs that have significant goodwill allocated to them:

2021	Food Production and Distribution Center
Growth in number of stores	257
Terminal growth rate (annual growth rate)	3%
Pre-tax discount rate	16%

Management has determined the values assigned to each of the above key assumptions as follows:

Assumptions	Approach used to determine values
Growth in number	Based on management's business plan and management expectation of the future expansion of retail store
Terminal growth rate (annual growth rate)	This is the weighted average growth rate used to extrapolate cash flows beyond the budget period. The rates are consistent with forecasts included in industry reports.
Pre-tax discount rate	Reflect specific risks relating to the relevant segments and the countries in which they operate.

Significant estimate: impact of possible changes in key assumptions. The recoverable amount of this CGU would equal its carrying amount if the key assumptions were to change as follows:

	2021	
	From	To
Growth in number of stores	257	187
Terminal growth rate (annual growth rate)	3%	1%
Pre-tax discount rate	16%	17.5%

The management have considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause the carrying amount of the CGU to exceed its recoverable amount. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates. No impairment was recognized for financial year ended 31 December 2021.

Useful lives of property, plant and equipment. The estimation of the useful lives of property, plant and equipment is a matter of judgment based on the experience with similar assets. The future economic benefits embodied in the assets are consumed principally through use. However, other factors, such as technical or commercial obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets. Management assesses the remaining useful lives in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Group. The following primary factors are considered: (a) expected usage of the assets; (b) expected physical wear and tear, which depends on operational factors and maintenance program; and (c) technical or commercial obsolescence arising from changes in market conditions.

5 Adoption of New or Revised Standards and Interpretations

COVID-19-Related Rent Concessions Amendment to IFRS 16 issued on 28 May 2020 and effective for annual periods beginning on or after 1 June 2020. The Group did not apply the amendment.

The following amended standards became effective from 1 January 2021, but did not have any material impact on the Group and the Company:

- Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021).

6 New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2022 or later, and which the Group has not early adopted. The following new or amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

New standards or amendments	Effective date
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28	date to be determined by the IASB.
Covid-19-Related Rent Concessions – Amendments to IFRS 16	1 April 2021
IFRS 17 Insurance Contracts	1 January 2023
Amendments to IFRS 17 and an amendment to IFRS 4	1 January 2023
Classification of liabilities as current or non-current – Amendments to IAS 1	1 January 2022
Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	1 January 2022
Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies	1 January 2023
Amendments to IAS 8: Definition of Accounting Estimates	1 January 2023
Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12	1 January 2023
Transition option to insurers applying IFRS 17 – Amendments to IFRS 17	1 January 2023

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Group's and the Company's consolidated and separate financial statements.

7 Segment Information

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM) and for which discrete financial information is available. The CODM is the person or group of persons who allocates resources and assesses the performance for the entity. The CODM has been identified as the Board of Directors and executive management of the Group.

(a) Description of products and services from which each reportable segment derives its revenue

The CODM examines the Group's performance from a product perspective and has identified two segments of its business. Geographical perspective was not accounted; the Group's operation takes place in one geographical location, in Mongolia. The Group has two operating segments:

- Segment 1 – representing resale of the goods to end-customers and to sub-franchise,
- Segment 2 – representing services provided to sub-franchisees and royalties fee received from sub-franchisees.

(b) Factors that management used to identify the reportable segments

The Group's segments are strategic business units that focus on different product and services. They are managed separately because each business unit requires different marketing strategies and service levels.

The CODM considered following factors to identify the reportable segments:

Segment 1 – its reported revenue, absolute amount of reported loss and its assets are 10 per cent or more of the combined amounts of all operating segments.

Segment 2 – the CODM considered reportable, and disclosed separately, as CODM believes that the information would be useful to the users of the financial statement. The activity in segment 2 is a start-up activity and incurs cost but does not yet generate material revenue.

(c) Measurement of operating segment profit or loss, assets, and liabilities

The CODM reviews financial information prepared based on international accounting standards adjusted to meet the requirements of internal reporting. Such financial information differs in certain aspects from

7 Segment Information (Continued)

International Financial Reporting Standards:

(i) income taxes are not allocated to segments;

(ii) liabilities for the Group's post-employment obligations are not recognized;

(iii) receivables provisions are recognized based on management judgment and availability of information rather than based on ECL model prescribed in IFRS 9;

(d) Information about reportable segment profit or loss, assets, and liabilities

Segment information for the reportable segments for the year ended 31 December 2021 is set out below:

	Consolidated			**Separate**		
In thousands of Mongolian Togrogs	**Segment 1**	**Segment 2**	**Total**	**Segment 1**	**Segment 2**	**Total**
2021						
External revenues						
- Revenues from core activities	92,743,360	1,294,657	94,038,017	92,977,333	1,294,657	94,271,990
Total revenues	**92,743,360**	**1,294,657**	**94,038,017**	**92,977,333**	**1,294,657**	**94,271,990**
Cost of sales:						
Direct raw materials	71,164,535	-	71,164,535	73,150,570	-	73,150,570
Direct labour costs	11,633,724	-	11,633,724	9,670,396	-	9,670,396
Depreciation and amortization expense	8,167,879	449,363	8,617,242	6,952,968	449,363	7,402,331
Distribution fee	2,974,486	-	2,974,486	4,517,959	-	4,517,959
Utility expenses	1,181,148	-	1,181,148	988,926	-	988,926
Other expenses	5,334,953	-	5,334,953	4,447,238	-	4,447,238
General, Administrative and Selling Expenses:						
Labour costs	4,147,652	-	4,147,652	4,078,362	-	4,078,362
Marketing expenses	1,038,323	-	1,038,323	1,038,323	-	1,038,323
Depreciation and amortization expenses	735,206	-	735,206	728,147	-	728,147
Professional service fee	389,789	-	389,789	371,253	-	371,253
Celebration expense	182,185	-	182,185	182,185	-	182,185
Training and development expense	130,295	-	130,295	130,295	-	130,295
Telecommunication and IT expenses	129,319	-	129,319	113,650	-	113,650
HR operating expense	84,241	-	84,241	84,241	-	84,241
Contract work	10,948	-	10,948	-	-	-
Research and development expense	50,610	-	50,610	50,610	-	50,610
Other	956,277	-	956,277	905,320	-	905,320
Other gain/loss, net:						
Other income	(1,102,602)	-	(1,102,602)	(1,076,827)	-	(1,076,827)
Other expense	163,376	-	163,376	156,155	-	156,155
Finance income	(1,429,902)	-	(1,429,902)	(1,429,902)	-	(1,429,902)
Finance cost	5,700,493	-	5,700,493	5,093,505	-	5,093,505
Segment results	**(18,899,575)**	**845,294**	**(18,054,281)**	**(17,176,041)**	**845,294**	**(16,330,747)**

7 Segment Information (Continued)

Segment information for the reportable segments for the year ended 31 December 2021 (continued):

	Consolidated			Separate		
In thousands of Mongolian Togrogs	**Segment 1**	**Segment 2**	**Total**	**Segment 1**	**Segment 2**	**Total**
Property, plant, and equipment	37,819,458	2,651,549	40,471,007	22,739,320	2,651,549	25,390,869
Right-of-use assets	22,599,622	-	22,599,622	22,011,451	-	22,011,451
Intangible assets	2,855,065	54,235	2,909,300	2,743,101	54,235	2,797,336
Other receivables	1,075,318	-	1,075,318	514,392	-	514,392
Other non-current advances	415,869	-	415,869	415,869	-	415,869
Investment in subsidiary	-	-	-	7,724,396	-	7,724,396
Finance lease receivables	4,092,438	-	4,092,438	4,092,438	-	4,092,438
Deferred income tax assets	279,073	-	279,073	295,519	-	295,519
Goodwill	2,818,907	-	2,818,907	-	-	-
Inventories	14,072,542	-	14,072,542	13,300,216	-	13,300,216
Prepayments	2,926,557	-	2,926,557	4,076,307	-	4,076,307
Trade and other receivables	2,136,809	282,614	2,419,423	2,345,256	282,613	2,627,869
Loan issued	2,016,877	-	2,016,877	2,016,877	-	2,016,877
Finance lease receivables - current	453,435	-	453,435	453,435	-	453,435
Cash and cash equivalents	4,061,156	-	4,061,156	3,880,540	-	3,880,540
Investments in debt securities	14,861,351	-	14,861,351	14,861,351	-	14,861,351
Total reportable segment assets	**112,981,144**	**2,988,397**	**115,969,541**	**101,470,468**	**2,988,397**	**104,458,865**
Long-term lease liabilities	26,918,102	-	26,918,102	26,776,866	-	26,776,866
Long-term borrowings	14,411,323	-	14,411,323	7,234,171	-	7,234,171
Other long-term liabilities	89,444	-	89,444	-	-	-
Trade and other payables	22,665,543	-	22,665,543	20,204,431	-	20,204,431
Borrowings	2,077,020	-	2,077,020	83,877	-	83,877
Lease liabilities	3,807,028	-	3,807,028	3,011,657	-	3,011,657
Contract liabilities	321,222	652,392	973,614	301,924	652,392	954,316
Current income tax payable	49,878	-	49,878	49,878	-	49,878
Other tax payable	474,627	-	474,627	417,300	-	417,300
Total reportable segment liabilities	**70,814,187**	**652,392**	**71,466,579**	**58,080,104**	**652,392**	**58,732,496**

In 2021 total property, plant and equipment additions in segment 1 and in segment 2 were MNT 12,145,804 and MNT nil respectively. And total intangible assets addition in segment 1 and in segment 2 were MNT 527,052 and MNT nill respectively.

7 Segment Information (Continued)

Segment information for the reportable segments for the year ended 31 December 2020 is set out below:

In thousands of Mongolian Togrogs	**Segment 1**	**Segment 2**	**Total**
2020			
External revenues			
- Revenues from core activities	45,018,396	329,636	45,348,032
Total revenues	**45,018,396**	**329,636**	**45,348,032**
Cost of sales:			
Direct raw materials	31,940,167	-	31,940,167
Direct labour costs	6,249,140	-	6,249,140
Depreciation and amortization expense	4,896,166	354,937	5,251,103
Telecommunication and IT expenses	1,903,757	-	1,903,757
Professional service fee	821,247	-	821,247
Other	4,541,422	-	4,541,422
General, Administrative and Selling Expenses:			
Labour costs	3,299,521	-	3,299,521
Marketing expenses	565,091	-	565,091
Depreciation and amortization expenses	573,624	-	573,624
Telecommunication and IT expenses	167,076	-	167,076
Professional service fee	80,230	-	80,230
Celebration expense	70,810	-	70,810
HR operating expense	43,685	-	43,685
Research and development expense	34,533	-	34,533
Stationary fee	19,864	-	19,864
Training and development expense	17,420	-	17,420
Internet fee	15,983	-	15,983
Business meeting expenditure	7,048	-	7,048
Rental fee	1,345	-	1,345
Other	206,195	-	206,195
Other income/expenses, net:			
Other income	483,863	-	483,863
Other expense	(400,603)	-	(400,603)
Finance income	159,415	-	159,415
Finance cost	(5,705,278)	-	(5,705,278)
Segment results/Total profit before tax	**(15,898,531)**	**(25,301)**	**(15,923,832)**

7 Segment Information (Continued)

Segment information for the reportable segments for the year ended 31 December 2020 (continued):

In thousands of Mongolian Togrogs	Segment 1	Segment 2	Total
Property, plant and equipment	16,455,768	1,460,407	17,916,171
Right-of-use assets	16,813,036	-	16,813,036
Intangible assets	2,771,850	36,265	2,808,115
Other receivables	404,800	-	404,800
Other non-current prepayments	369,717	-	369,717
Finance lease receivables	2,062,987	-	2,062,987
Deferred tax assets	240,809	-	240,809
Inventories	6,710,974	-	6,710,974
Prepayments	1,844,388	-	1,844,388
Trade and other receivables	1,111,289	358,455	1,469,744
Finance lease receivables	171,821	-	171,821
Cash and cash equivalents	6,104,077	-	6,104,077
Total reportable segment assets	**55,061,512**	**1,855,127**	**56,916,639**
Long term lease liabilities	19,570,737	-	19,570,737
Long term borrowing	10,520,000	-	10,520,000
Trade and other payables	24,320,649	-	24,320,649
Short term borrowing	16,360,739	-	16,360,739
Short term lease liabilities	1,627,744	-	1,627,744
Other tax payable	439,644	-	439,644
Contract liabilities	99,036	358,128	457,164
Total reportable segment liabilities	**72,938,549**	**358,128**	**73,296,677**

In 2020 total property, plant and equipment additions in segment 1 and in segment 2 were MNT 7,212,702 and MNT 1,460,407 respectively. And total intangible assets addition in segment 1 and in segment 2 were MNT 316,755 and MNT 36,265 respectively.

8 Balances and Transactions with Related Parties

As a result of the change in Company's ownership structure and acquisition of Premium Distribution LLC, the structure of the disclosure has been changed. (Refer to Note 1 and Note 35). Premium Group LLC, previously immediate parent company now changed to entity under common control in 2021. Premium Distribution LLC, previously entity under common control now changed to subsidiary in 2021. In 2021 ultimate shareholders became shareholders.

Entities under common control as at 31 December 2021 were Premium Group LLC, Premium Industrial and Engineering LLC, And Survey LLC, Premium Building Materials LLC, Premium Projects LLC, UMS LLC, and Arcadia Garden LLC. Other related parties include entities, where the shareholders of the Group directly or indirectly, have an interest of more than half of the voting rights or otherwise have power to exercise control over their operations. Key management personnel consist of Executive Directors and Directors of Departments.

At 31 December 2021, the outstanding balances with related parties were as follows:

In thousands of Mongolian Togrogs	**Note**	**Subsidiary**	**Shareholders**	**Entities under common control**	**Other related party**
Consolidated					
Trade and other payables	24	-	686,557	-	51,929
Loan issued	14	-	-	2,016,877	-
Borrowing	21	-	7,318,048	-	-
Separate					
Trade and other payables	24	-	686,557	-	51,929
Other receivables	17	496,666	-	-	
Prepayment	16	1,874,440	-	-	
Loan issued	14	-	-	2,016,877	
Borrowing	21	-	7,318,048	-	

The credit term on purchases from Premium Distribution LLC (subsidiary) is 60 days. No interest is charged on these sales and purchases. None of the balance is secured, no expense has been recognized in the current or prior year for loss allowance in respect of amounts owed by related parties.

Purchase of goods from other related parties are purchases from Rio Grande LLC. Payments are remitted twice a month. No interest is charged on outstanding payables balance. None of the balance is secured.

Loan issued to Premium Group LLC denominated in MNT and is due on 30 May 2022 and carry an interest of 14%. Please refer to Note 14.

The borrowing from Shareholders is denominated in KRW and is due in September 2025 and carry an interest of 4.6%. Please refer to Note 21.

All transactions were made on normal commercial terms and conditions and at market rates.

8 Balances and Transactions with Related Parties (Continued)

The income and expense items with related parties for the year ended 31 December 2021 were as follows:

In thousands of Mongolian Togrogs	Note	Subsidiary	Shareholders	Entities under common control	Other related party
Consolidated					
Purchase of goods		-	2,840,109	-	1,461,056
Sale of fixed assets		-	-	2,035,971	-
Interest expense		-	1,154,845	-	-
Sales of finished goods		-	-	64,219	-
Purchase of PPE		-	-	986,708	740,411
Interest income		-	-	16,877	-
Separate					
Purchase of goods		6,239,661	2,840,109		1,461,056
Service provided by		3,305,953	-	-	-
Sale of fixed assets		-	-	2,035,971	-
Interest expense		-	1,154,845	-	-
Sales of finished goods		233,973	-	64,219	-
Purchase of PPE		-	-	986,708	740,411
Interest income		-	-	16,877	-
Other income		5,152	-	-	-

The purchase of goods from subsidiary represents a purchase of fresh packaged food for resale and serviced provided by subsidiary represents distribution and storage services. The purchases of goods represent purchases of resale goods from BGF Retail Co, LTD and Rio Grande LLC. The purchases of fixed assets represents leasehold improvement performed by entity under common control and other related party. The credit term of the purchase of property, plant and equipment is 10 days after the completion of the work. All the transactions in the above table are on normal commercial terms and conditions and at market rates.

Sale of fixed asset to entity under common control represent, sale of sub-power station to Premium Project LLC, receivable balance was off set against trade payable balance to Premium Project LLC, for construction work performed in accordance with Board of Director's resolution #47 dated 17 June 2021 and in accordance with the sale agreement dated 29 June 2021. The agreement is on normal commercial terms and conditions and at market rates.

Entities under common control as at 31 December 2020 were Premium Industrial and Engineering LLC, And Survey LLC, Premium Building Materials LLC, Premium Projects LLC, Premium Distribution LLC, Russo Motors LLC and UMS LLC. Key management personnel consist of Executive Directors and Heads of Departments. Other related parties include entities, where the ultimate shareholders of the Premium Group LLC directly or indirectly, have an interest of more than half of the voting rights or otherwise have power to exercise control over their operations and non-controlling shareholder BGF Retail Co Ltd.

At 31 December 2020, the outstanding balances with related parties were as follows:

In thousands of Mongolian Togrogs	Note	Immediate parent company	Ultimate shareholders	Entities under common control	Other related parties
Gross amount of trade receivables		-	-	203,581	
Trade and other payables	20	15,509,270	-	840,308	
Prepayment	14		-	1,059,438	200,139
Borrowing	21	-	579,875	-	10,520,000

The credit term on purchases from Premium Distribution LLC is 60 days. No interest is charged on these sales and purchases. None of the balance is secured, no expense has been recognized in the current or prior year for loss allowance in respect of amounts owed by related parties.

The borrowing from ultimate shareholders is denominated in MNT and is due on June 2021 and carry an interest of 16%, which subsequently converted into equity in June 2021. (Refer to note 34) The borrowing from other related party is denominated in KRW and is due on September 2025 and carry an interest of 4.6%. Please refer to Note 21.

8 Balances and Transactions with Related Parties (Continued)

All outstanding balances with the related parties are fully closed as at 30 June 2021 except for the borrowing from other related party. (Refer to Note 34)

All transactions were made on normal commercial terms and conditions and at market rates.

The income and expense items with related parties for the year ended 31 December 2020 were as follows:

In thousands of Mongolian Togrogs		**Immediate parent company**	**Ultimate shareholders**	**Entities under common control**	**Other related parties**
Sales of finished goods		3,975	-	119,257	
Finance cost		-	72,771	-	64,605
Other income		-	-	34,304	
Other expense		4,374	-	19,337	2,026
Purchase of property and equipment		-	-	307,401	1,508,529
Sale of property and equipment		-	-	1,075,607	-
Distribution fee	25	-	-	1,903,510	-
Purchase of goods		7,420	-	3,168,157	2,297,160

The purchase of goods represents a purchase from Premium Distributions LLC and BGF Retail Co, LTD. The purchase of equipment represents purchases from BGF Retail Co, LTD and purchases of equipment from entities under common control represents leasehold improvement performed. The credit term of the purchase of property, plant and equipment is 10 days after the completion of the work. All the transactions in the above table are on normal commercial terms and conditions and at market rates.

Compensation to key management personnel comprising 9 individuals is presented in the table below (2020: 8 individuals):

	Consolidated		**Separate**	
In thousands of Mongolian Togrogs	**2021**	**2020**	**2021**	**2020**
Short-term benefits:				
- Salaries	606,433	579,793	606,433	579,793
- Short-term bonuses	192,775	175,947	192,775	175,947
Post-employment benefits: - Social insurance contribution	97,903	44,712	97,903	44,712
Total	**897,111**	**800,452**	**897,111**	**800,452**

Short-term bonuses fall due wholly within twelve months after the end of the period in which management rendered the related services.

9 Property, Plant and Equipment

Movements in the consolidated carrying amount of property, plant and equipment were as follows:

In thousands of Mongolian Togrogs	Note	Building	Plant and equipment	Machinery and vehicles	Furniture and office equipment	Leasehold improvements	Total
Cost at 1 January 2020		-	-	1,171,946	9,405,303	5,536,122	16,113,371
Accumulated depreciation		-	-	(7,391)	(1,375,544)	(1,027,367)	(2,410,302)
Carrying amount at 1 January 2020		**-**	**-**	**1,164,555**	**8,029,759**	**4,508,755**	**13,703,069**
							-
Additions		-	-	2,034	5,732,144	2,943,931	**8,678,109**
Disposal		-	-	(190,451)	(858,999)	(580,322)	**(1,629,772)**
Disposal depreciation		-	-	5,711	108,026	176,343	**290,080**
Write-off		-	-	-	(151,191)	-	**(151,191)**
Write-off depreciation		-	-	-	74,547	-	**74,547**
Depreciation charge		-	-	(103,113)	(2,211,691)	(733,867)	**(3,048,671)**
Carrying amount at 31 December 2020		**-**	**-**	**878,736**	**10,722,595**	**6,314,840**	**17,916,171**
Cost at 31 December 2020		-	-	983,529	14,127,257	7,899,731	23,010,517
Accumulated depreciation		-	-	(104,793)	(3,404,662)	(1,584,891)	(5,094,346)
Carrying amount at 1 January 2021		**-**	**-**	**878,736**	**10,722,595**	**6,314,840**	**17,916,171**
Acquisitions through business combinations	35	10,890,742	4,713,238	-	1,032,450	86,845	**16,723,275**
Additions		-	1,089,095	119,592	8,120,831	4,000,155	**13,329,673**
Disposals		-	(2,052,268)	(24,143)	(264,344)	-	**(2,340,755)**
Disposal depreciation		-	12,107	4,478	38,855	-	**55,440**
Transfers		-	158,720	85,626	623	137,751	**382,720**
Transfer's depreciation		-	(158,720)	(56,332)	(2,560,950)	2,393,282	**(382,720)**
Write off		-		-	(86,769)	-	**(86,769)**
Write-off depreciation		-		-	56,857	-	**56,857**
Depreciation charge		(255,242)	(200,570)	(108,076)	(3,462,342)	(1,156,655)	**(5,182,885)**
Carrying amount at 31 December 2021		**10,635,500**	**3,561,602**	**899,881**	**13,597,806**	**11,776,218**	**40,471,007**
Cost at 31 December 2021		10,890,742	3,908,785	1,164,604	22,930,048	12,124,482	51,018,661
Accumulated depreciation		(255,242)	(347,183)	(264,723)	(9,332,242)	(348,264)	(10,547,654)
Carrying amount at 31 December 2021		**10,635,500**	**3,561,602**	**899,881**	**13,597,806**	**11,776,218**	**40,471,007**

As a result of increase in retail stores' number in 2021, from 105 to 165, furniture and office equipment increase by MNT 8,096,761 thousand and leasehold improvements increased by MNT 4,000,155 thousand in 2021. In 2021, the Group has sold a power substation with carrying amount of MNT 2,035,971 thousand to the related party. (Refer to Note 8) Increase of MNT 1,089,095 thousand in plant and equipment in 2021 relate to purchases of equipment for food production factory.

9 Property, Plant and Equipment (Continued)

Movements in the separate carrying amount of property, plant and equipment were as follows:

In thousands of Mongolian Togrogs	Note	Machinery and vehicles	Furniture and office equipment	Leasehold improvements	Total
Cost at 1 January 2020		1,171,946	9,405,303	5,536,122	**16,113,371**
Accumulated depreciation		(7,391)	(1,375,544)	(1,027,367)	**(2,410,302)**
Carrying amount at 1 January 2020		**1,164,555**	**8,029,759**	**4,508,755**	13,703,069
					-
Additions		2,034	5,732,144	2,943,931	**8,678,109**
Disposal		(190,451)	(858,999)	(580,322)	**(1,629,772)**
Disposal depreciation		5,711	108,026	176,343	**290,080**
Write-off assets		-	(151,191)	-	**(151,191)**
Write-off assets depreciation		-	74,547	-	**74,547**
Depreciation charge		(103,113)	(2,211,691)	(733,867)	**(3,048,671)**
Carrying amount at 31 December 2020		**878,736**	**10,722,595**	**6,314,840**	**17,916,171**
Cost at 31 December 2020		983,529	14,127,257	7,899,731	**23,010,517**
Accumulated depreciation		(104,793)	(3,404,662)	(1,584,891)	**(5,094,346)**
Carrying amount at 31 December 2020		**878,736**	**10,722,595**	**6,314,840**	**17,916,171**
Additions		48,888	8,096,761	4,000,155	**12,145,804**
Disposal		(24,143)	(260,799)	-	**(284,942)**
Disposal depreciation		4,478	36,784	-	**41,262**
Transfers		85,625	(75,026)	78,973	**89,572**
Transfer's depreciation		(717,277)	635,004	(7,299)	**(89,572)**
Write-off assets		-	(86,769)	-	**(86,769)**
Write-off assets depreciation		-	56,857	-	**56,857**
Depreciation charge		(106,446)	(3,163,153)	(1,127,915)	**(4,397,514)**
Carrying amount at 31 December 2021		**169,861**	**15,962,254**	**9,258,754**	**25,390,869**
Cost at 31 December 2021		1,093,899	21,801,424	11,978,859	**34,874,182**
Accumulated depreciation		(924,038)	(5,839,170)	(2,720,105)	**(9,483,313)**
Carrying amount at 31 December 2021		**169,861**	**15,962,254**	**9,258,754**	**25,390,869**

As a result of increase in retail stores' numbers in 2021, from 105 to 165, furniture and office equipment increases by MNT 8,096,761 thousand and leasehold improvements increased by MNT 4,000,155 thousand in 2021.

10 Right-of-use assets and lease liabilities

The Group leases space areas, vehicles and warehouse. Rental contracts are typically made for fixed periods of 3 years to 10 years.

Movement in the consolidated carrying amount of right of use asset and lease liabilities were as follows:

In thousands of Mongolian Togrogs	Note	Space area	Vehicle	Warehouse	Total
Carrying amount at 1 January 2020		**15,571,779**	**45,617**		**15,617,396**
Additions		5,590,155	-		5,590,155
Disposals		(2,571,338)	-		(2,571,338)
Depreciation charge		(1,818,866)	(4,311)		(1,823,177)
Carrying amount at 31 December 2020		**16,771,730**	**41,306**		**16,813,036**
Additions through business combination	35	-	-	795,369	795,369
Additions		10,332,690	-	222,343	10,555,033
Disposals		(1,897,837)	(41,306)	-	(1,939,143)
Depreciation charge		(3,195,646)	-	(429,027)	(3,624,673)
Carrying amount at 31 December 2021		**22,010,937**	**-**	**588,685**	**22,599,622**

Movement in the separate carrying amount of right of use asset and lease liabilities were as follows:

In thousands of Mongolian Togrogs	Note	Space areas	Vehicles	Total
Carrying amount at 1 January 2020		**15,571,779**	**45,617**	**15,617,396**
Additions		5,590,155	-	5,590,155
Disposals		(2,571,338)	-	(2,571,338)
Depreciation charge		(1,818,866)	(4,311)	(1,823,177)
Carrying amount at 31 December 2020		**16,771,730**	**41,306**	**16,813,036**
Additions		10,332,690	-	10,332,690
Disposals		(1,897,837)	(41,306)	(1,939,143)
Depreciation charge		(3,195,132)	-	(3,195,132)
Carrying amount at 31 December 2021		**22,011,451**	**-**	**22,011,451**

Disposals in 2020 and 2021 related to sub-leases transactions and recognition of finance lease receivables.

The Group recognised lease liabilities as follows:

	Consolidated		**Separate**	
In thousands of Mongolian Togrogs	**2021**	**2020**	**2021**	**2020**
Short-term lease liabilities	3,807,028	1,627,744	3,011,657	1,627,744
Long-term lease liabilities	26,918,103	19,570,737	26,776,866	19,570,737
Total lease liabilities	**30,725,131**	**21,198,481**	**29,788,523**	**21,198,481**

Interest expense included in consolidated and separate finance costs of 2021 were MNT 3,991,762 and MNT 3,927,317 thousand (2020: MNT 2,974,883). Refer to Note 30.

10 Right-of-use assets and lease liabilities (Continued)

Expenses relating to short-term leases and to leases of low-value assets, which are below MNT 18,000 thousand when new, that are not shown as short-term leases included in cost of sales and general and administrative expenses:

In thousands of Mongolian Togrogs	2021	Consolidated 2020	2021	Separate 2020
Expense relating to short-term leases	11,385	2,445	11,385	2,445
Expense relating to leases of low-value assets that are not shown above as short-term leases	308,250	1,633	123,850	1,633
Variable lease expense based on revenue	510,919	94,420	510,919	94,420

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as collateral for borrowings.

Extension and termination options are included in a number of space areas across the Group and the Company. These are used to maximise operational flexibility in terms of managing the assets used in the Croup's and the Company's operations. The majority of extension and termination options held are exercisable only by the Group and the Company and not by the respective lessor.

As at 31 December 2021, there are no agreements that are not reasonably certain that the leases will be extended (or not terminated). The lease term is reassessed if an option is exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Company.

Total consolidated and separate cash outflow for leases in 2021 were MNT 6,940,228 thousand and MNT 6,316,119 thousand (2020: separate MNT 3,692,485 thousand).

11 Investment in Subsidiary and Goodwill

Investment in subsidiary is presented in the separate financial statements of the Company.

In thousands of Mongolian Togrogs	Note	31 December 2021	31 December 2020
Premium Distribution LLC	35	7,724,396	-
Total investments in subsidiaries		**7,724,396**	**-**

During 2021, the Company has acquired 100% of Premium Distribution LLC's outstanding shares (previously an entity under common control).

Goodwill is presented in the consolidated financial statements of the Group.

Movements in goodwill arising on the acquisition of subsidiary are:

In thousands of Mongolian Togrogs	Note	2021	2020
Gross book value at 1 January		-	-
Accumulated impairment losses at 1 January		-	-
Carrying amount at 1 January		**-**	**-**
Acquisition of subsidiary	35	2,818,907	-
Impairment loss	4	-	-
Carrying amount at 31 December		**2,818,907**	**-**

12 Intangible Assets

Movements in the carrying amount of intangible assets for consolidated financial statements were as follows:

In thousands of Mongolian Togrogs	Note	Land use right	Franchise fee	Software licenses	Total
Cost at 31 December 2020			2,396,680	1,432,059	3,828,739
Accumulated amortisation			(649,046)	(371,578)	(1,020,624)
Carrying amount at 31 December 2020			**1,747,634**	**1,060,481**	**2,808,115**
Acquisition through business combination	35	104,071	-	-	104,071
Additions		-	-	542,004	542,004
Amortisation charge		(4,687)	(239,447)	(300,756)	(544,890)
Carrying amount at 31 December 2021		99,384	1,508,187	1,301,729	2,909,300
Cost at 31 December 2021		104,071	2,396,680	1,974,063	4,474,814
Accumulated amortisation		(4,687)	(888,493)	(672,334)	(1,565,514)
Carrying amount at 31 December 2021		**99,384**	**1,508,187**	**1,301,729**	**2,909,300**

Movements in the carrying amount of intangible assets for separate financial statements were as follows:

In thousands of Mongolian Togrogs	Note	Franchise fee	Software licenses	Total
Carrying amount at 1 January 2020		**1,987,958**	**925,274**	**2,913,232**
Additions		-	353,020	353,020
Disposals		-	(3,252)	(3,252)
Amortisation charge		(240,324)	(214,561)	(454,885)
Carrying amount at 31 December 2020		**1,747,634**	**1,060,481**	**2,808,115**
Cost at 31 December 2020		2,396,680	1,432,059	3,828,739
Accumulated amortisation		(649,046)	(371,578)	(1,020,624)
Carrying amount at 31 December 2020		**1,747,634**	**1,060,481**	**2,808,115**
Additions		-	527,052	527,052
Amortisation charge		(239,447)	(298,384)	(537,831)
Carrying amount at 31 December 2021		**1,508,187**	**1,289,149**	**2,797,336**
Cost at 31 December 2021		2,396,680	1,959,111	4,355,791
Accumulated amortisation		(888,493)	(669,962)	(1,558,455)
Carrying amount at 31 December 2021		**1,508,187**	**1,289,149**	**2,797,336**

13 Finance Lease Receivables

		Consolidated		Separate	
In thousands of Mongolian Togrogs	Note	2021	2020	2021	2020
Current portion of financial lease receivables		453,435	171,821	453,435	171,821
Non-current portion of financial lease receivables		4,092,438	2,062,987	4,092,438	2,062,987
Total financial lease receivables		**4,545,873**	**2,234,808**	**4,545,873**	**2,234,808**

In 2021 the Group became an intermediate lessor of thirteen premises of stores (total of 22 premises, including the previous premises), where it is subleased to its sub-franchisees.

The carrying amount of lease receivable does not differ significantly from its fair value. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for lease receivables.

To measure the expected credit losses, finance lease receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of leases over a period of 36 months prior to the end of the reporting period and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the lessees to settle the receivables.

As at 31 December 2021 and as at 31 December 2020 the Group did not recognise ECL, as ECL is immaterial at that dates.

The maturity analysis of the finance lease payments receivable is as follows:

	Consolidated		Separate	
In thousands of Mongolian Togrogs	2021	2020	2021	2020
1 year	1,157,496	524,291	1,157,496	524,291
2 year	1,158,859	524,291	1,158,859	524,291
3 year	1,158,859	524,291	1,158,859	524,291
4 year	1,158,859	524,291	1,158,859	524,291
5 year	1,158,859	524,291	1,158,859	524,291
Later than 5 years	1,448,112	1,179,192	1,448,112	1,179,192
Total undiscounted finance lease payments receivable at 31 December	**7,241,044**	**3,800,647**	**7,241,044**	**3,800,647**
Unearned finance income	2,695,171	1,565,839	2,695,171	1,565,839
Finance lease receivable at 31 December	**4,545,873**	**2,234,808**	**4,545,873**	**2,234,808**

14 Loans Issued

	Consolidated		Separate	
In thousands of Mongolian Togrogs	2021	2020	2021	2020
Corporate loans	2,016,877	-	2,016,877	-
Less: Credit loss allowance charge in profit or loss	-	-	-	-
Total carrying amount of loans at AC as at 31 December	**2,016,877**	**-**	**2,016,877**	**-**

The corporate loan of MNT 2,000,000 thousand is issued to Premium Group LLC, a related party of the Group. (Refer Note 8) The loan was issued on 9 December 2021, to be repaid on 30 May 2022. Annual interest on the loan is 14%. Interest is payable monthly, and the principal amount is to be repaid in full at maturity.

As at 31 December 2021 the Group did not recognize ECL, as ECL is immaterial at that date.

15 Inventories

	Consolidated		Separate	
In thousands of Mongolian Togrogs	**2021**	**2020**	**2021**	**2020**
Goods for resale	10,934,266	6,081,829	10,907,713	6,081,829
Supply materials	1,733,224	502,210	1,334,806	502,210
Goods in transit	877,050	84,031	877,050	84,031
Direct materials	347,355	-	-	-
Construction materials	180,647	42,904	180,647	42,904
Total inventories at 31 December	**14,072,542**	**6,710,974**	**13,300,216**	**6,710,974**

The cost of inventories recognised as an expense during the period representing cost of sales amounted to MNT 67,627,693 thousand in the consolidated statement of profit and loss and MNT 71,153,639 thousand in the separate statement of profit and loss. (2020: MNT 31,913,297 thousand).

Write-off of inventories amounted to MNT 3,571,046 thousand in the consolidated financial statements and MNT 3,496,895 thousand in the separate financial statements (2020: MNT 26,870 thousand). These were recognised as an expense for the period and included in cost of sales in the consolidated and separate statements of profit and loss.

16 Prepayments

	Consolidated		Separate	
In thousands of Mongolian Togrogs	**2021**	**2020**	**2021**	**2020**
Prepayments to suppliers	2,926,557	1,844,388	4,076,307	1,844,388
Prepayments to suppliers for equipment	415,869	369,717	415,869	369,717
Total prepayments	**3,342,426**	**2,214,105**	**4,492,176**	**2,214,105**
Non-current prepayments	415,869	369,717	415,869	369,717
Current prepayments	2,926,557	1,844,388	4,076,307	1,844,388

17 Trade and Other Receivables

		Consolidated		Separate	
In thousands of Mongolian Togrogs	**Note**	**2021**	**2020**	**2021**	**2020**
Trade receivables from third parties		440,801	412,582	440,801	412,582
Trade receivables from related parties	8	-	203,581	-	203,581
Other receivables from third parties		690,608	451,304	601,554	451,304
Other receivables from related parties	8	-	-	496,666	-
Total financial assets within trade and other receivables		**1,131,409**	**1,067,467**	**1,539,021**	**1,067,467**
Amounts due from employees		94,132	122,958	92,884	122,958
VAT and other taxes receivable		2,269,200	684,119	1,510,356	684,119
Total trade and other receivables at 31 December		**3,494,741**	**1,874,544**	**3,142,261**	**1,874,544**
Non-current trade and other receivables		1,075,318	404,800	514,392	404,800
Current trade and other receivables		2,419,423	1,469,744	2,627,869	1,469,744

17 Trade and Other Receivables (Continued)

The carrying amount of accounts receivable does not differ significantly from its fair value.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of customers over a period of 3 months before each balance sheet date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

As at 31 December 2021 and as at 31 December 2020, the Group did not recognise ECL, as ECL is immaterial at that dates.

The consolidated balance of other non-current receivable as at 31 December 2021 include deferred VAT receivable of MNT 560,926 thousand for purchase of construction of building which is amortised over 5 years following the date of purchase.

As of 31 December 2021, the amounts of credit loss allowance for other receivables assessed individually is MNT nil (2020: MNT 1,052 thousand).

Below is the credit loss allowance movement:

	Consolidated		**Separate**	
In thousands of Mongolian Togrogs	**2021**	**2020**	**2021**	**2020**
Allowance for credit losses on other receivables at 1 January	**1,052**	**-**	**1,052**	**-**
Increase in loss allowance recognition in profit or loss during the year	145,538	1,052	144,538	1,052
Write-off	(146,590)	-	(145,590)	-
Allowance for credit losses on other receivables at 31 December	**-**	**1,052**	**-**	**1,052**

18 Investments in Debt Securities

	Consolidated		**Separate**	
In thousands of Mongolian Togrogs	**2021**	**2020**	**2021**	**2020**
Debt securities mandatorily measured at FVTPL	14,861,351	-	14,861,351	-
Total investments in debt securities	**14,861,351**	**-**	**14,861,351**	**-**

The table below discloses investments in debt securities at 31 December 2021 by measurement categories and classes:

In thousands of Mongolian Togrogs	**Debt securities mandatorily measured at FVTPL**	**Total**
Corporate bonds	14,861,351	14,861,351
Total investments in debt securities at 31 December 2021 (fair value)	**14,861,351**	**14,861,351**

Debt securities classified as at FVTPL by the Group represent securities in a 'held to collect and sell'. The Group has right to sell the corporate bonds back to underwriter at fair value.

18 Investments in Debt Securities (Continued)

On initial recognition, the Group has irrevocably designated all of its debt securities at FVTPL. The corporate bonds at FVTPL are carried at fair value, which also reflects any credit risk related write-downs and best represents Group's maximum exposure to credit risk and are not collateralized.

19 Cash and Cash Equivalents

	Consolidated		Separate	
In thousands of Mongolian Togrogs	**2021**	**2020**	**2021**	**2020**
Cash on hand	373,085	126,248	372,876	126,248
Bank balances payable on demand	3,688,071	5,977,829	3,507,664	5,977,829
Total cash and cash equivalents at 31 December	**4,061,156**	**6,104,077**	**3,880,540**	**6,104,077**

Cash and cash equivalents are carried at amortised cost using the effective interest method. The carrying amount of cash and cash equivalents does not differ significantly from its fair value.

As at 31 December 2021 and as at 31 December 2020, the Company did not recognise ECL, as ECL is immaterial at that dates.

The table below discloses the credit quality of cash and cash equivalents balances based on credit risk grades based on Fitch, Moody's rating at 31 December 2021 and 31 December 2020. Refer to Note 38 for the description of the Company's credit risk grading system.

	Consolidated		Separate	
In thousands of Mongolian Togrogs	**2021**	**2020**	**2021**	**2020**
- B- rated	3,688,071	5,977,829	3,507,664	5,977,829
Total cash and cash equivalents, excluding cash on hand	**3,688,071**	**5,977,829**	**3,507,664**	**5,977,829**

20 Share Capital and Share premium

As 31 December 2021, consolidated balance of share capital were as follows:

In thousands of Mongolian Togrogs	**Number of outstanding shares in thousands**	**Ordinary shares**	**Share premium**	**Total share capital and share premium**
At 1 January 2020	**171,452**	**17,145,256**	**-**	**17,145,256**
New shares issued	-	-	-	-
At 31 December 2020	**171,452**	**17,145,256**	**-**	**17,145,256**
New shares issued	431,111	43,111,100	-	**43,111,100**
Acquisition of subsidiary	77,244	7,724,369	-	**7,724,369**
New shares issued and listed	137,961	13,796,139	14,899,785	**28,695,924**
Less: Transaction costs arising on share issues	-	-	(1,079,282)	**(1,079,282)**
At 31 December 2021	**817,768**	**81,776,864**	**13,820,503**	**95,597,367**

In June 2021, the Group issued 431,111 thousand new shares. 197,950 thousand shares were issued for settlement of payable balance to Premium Group LLC; 162,325 thousand shares were issued at par value to Premium Group LLC for settlement of borrowings from commercial bank; 20,000 thousand shares were issued for cash (sold at par value); and 50,836 shares were issued to convert loan (from BGF Retail Co Ltd.) to equity. (Refer to Note 34)

20 Share Capital and Share premium (Continued)

In November 2021, the Company went public on Mongolian Stock Exchange by issuing 137,960,969 new shares (16.87% of the Company) and raised MNT 27,616,560 thousand equity capital. The share issue price was MNT 208 per share and share premium of MNT 13,820,503 thousand was recognised as excess of consideration received over the par value, less transaction costs.

The total authorised number of common shares is 817,768 thousand shares (2020: 171,452 thousand shares) with a par value of MNT 100 per share (2020: MNT 100 per share). All issued ordinary shares are fully paid. Each ordinary share carries one vote.

Share premium represents the excess of contributions received over the nominal value of shares issued.

21 Borrowings

	Consolidated		Separate	
In thousands of Mongolian Togrogs	**2021**	**2020**	**2021**	**2020**
Non-current				
Borrowing from third party	7,177,152	-	-	-
Borrowing from related party	7,234,171	10,520,000	7,234,171	10,520,000
Current				
Borrowing from third party	1,993,143	15,713,911	-	15,713,911
Borrowing from related party	83,877	646,828	83,877	646,828
Total borrowings	**16,488,343**	**26,880,739**	**7,318,048**	**26,880,739**

The Group's borrowings are denominated in currencies as follows:

	Consolidated		Separate	
In thousands of Mongolian Togrogs	**2021**	**2020**	**2021**	**2020**
- Mongolian Togrogs	9,170,294	16,293,786	-	16,293,786
- Korean Won	7,318,048	10,586,953	7,318,048	10,586,953
Total borrowings at 31 December	**16,488,342**	**26,880,739**	**7,318,048**	**26,880,739**

The Group's borrowings are denominated in currencies and bear interest rates as follows (excluding interest payable):

				Consolidated		Separate	
In thousands of Mongolian Togrogs	**Currency**	**Nominal interest rate (p.a.)**	**Year of maturity**	**2021**	**2020**	**2021**	**2020**
Commercial bank	MNT	16%	2024.03.04	-	15,263,168	-	15,263,168
Borrowing from related party	KRW	4.6%	2025.09.24	7,318,048	10,586,953	7,318,048	10,586,953
Borrowing from related party	MNT	16%	2021.04.20	-	579,875	-	579,875
Commercial bank	MNT	9%	2021.06.08	-	450,743	-	450,743
Commercial bank	MNT	16%	2024.03.04	9,170,294	15,263,168	-	-
				16,488,342	**26,880,739**	**7,318,048**	**26,880,739**

The Group does not apply hedge accounting and has not entered into any hedging arrangements in respect of its foreign currency obligations or interest rate exposures. The carrying amounts of the borrowings approximate fair values.

The borrowing agreements stated above require compliance with certain non-financial covenants. In case of non-compliance, the related borrowing would default i.e. the borrowing is immediately payable on

21 Borrowings (Continued)

demand. For this reason, quarterly monitoring of debt covenants is carried out by Finance Department. As of 31 December 2021, and 31 December 2020, the Group complied with all covenants.

During 2020, the Company signed a loan agreement with BGF Retail Co Ltd.("Lender") with an option of the Lender to purchase up to 10% of the Borrower's shares at their fair value, at the time of purchase. The option is exercisable starting from the 3rd anniversary of the loan. The call option shall be used to set-off the aggregate balance of the Loan in accordance with the payment schedule set forth in the loan agreement.

22 Reconciliation of liabilities arising from financing activities

The table below sets out an analysis of liabilities from financing activities and the movements in the Group's liabilities from financing activities for each of the periods presented. The items of these liabilities are those that are reported as financing in the statement of cash flows:

	Consolidated			Separate		
In thousands or Mongolian Togrogs	**Borrowings**	**Lease liabilities**	**Total**	**Borrowings**	**Lease liabilities**	**Total**
Liabilities from financing activities at 1 January 2020	**15,833,410**	**16,325,928**	**32,159,338**	**15,833,410**	**16,325,928**	**32,159,338**
Cash flows						
Loan drawdowns	13,787,912	-	13,787,912	13,787,912	-	13,787,912
Repayments of principal	(3,241,964)	(717,602)	(3,959,566)	(3,241,964)	(717,602)	(3,959,566)
Interest payments	(2,240,343)	(2,974,883)	(5,215,226)	(2,240,343)	(2,974,883)	(5,215,226)
Non-cash changes						
New leases	-	5,590,155	5,590,155	-	5,590,155	5,590,155
Interest accruals	2,253,612	2,974,883	5,228,495	2,253,612	2,974,883	5,228,495
Foreign exchange adjustments	359,912	-	359,912	359,912	-	359,912
Other non-cash	128,200	-	128,200	128,200	-	128,200
Liabilities from financing activities at 31 December 2020	**26,880,739**	**21,198,481**	**48,079,220**	**26,880,739**	**21,198,481**	**48,079,220**
Cash flows						
Loan drawdowns	5,192,725	-	5,192,725	2,886,667	-	2,886,667
Repayments of principal	(570,000)	(2,122,067)	(2,692,067)	(416,667)	(1,742,648)	(2,159,315)
Interest payments	(1,770,685)	(3,987,607)	(5,758,292)	(1,209,127)	(3,927,317)	(5,136,444)
Non-cash changes						
Business combination	7,036,586	1,089,528	8,126,114	-	-	-
New leases	-	10,555,033	10,555,033	-	10,332,690	10,332,690
Settlement of borrowings	(21,316,091)	-	(21,316,091)	(21,316,091)	-	(21,316,091)
Interest accrual	1,708,731	3,991,762	5,700,493	1,166,188	3,927,317	5,093,505
Foreign exchange adjustments	(673,662)	-	(673,662)	(673,662)	-	(673,662)
Liabilities from financing activities at 31 December 2021	**16,488,343**	**30,725,130**	**47,213,473**	**7,318,048**	**29,788,523**	**37,106,570**

23 Other Taxes Payable

	Consolidated		Separate	
In thousands of Mongolian Togrogs	2021	2020	2021	2020
Value-added tax	32,928	55,978	32,928	119,974
Personal income tax	348,199	119,974	296,937	36,970
Social contribution tax	14,785	226,722	14,785	55,978
Withholding tax	56,085	-	56,085	-
Other tax payable	22,630	36,970	16,565	226,722
Total other taxes payable at 31 December	**474,627**	**439,644**	**417,300**	**439,644**

24 Trade and Other Payables

		Consolidated		Separate	
In thousands of Mongolian Togrogs	Note	2021	2020	2021	2020
Trade payables to third parties		21,143,037	7,393,522	19,136,659	7,393,522
Other payables to related parties	8	-	16,349,578	-	16,349,578
Other payables to third parties		512,675	107,870	187,119	107,870
Liabilities for purchased property, plant and equipment		250,748	45,233	250,748	45,233
Total financial payables within trade and other payables at AC		**21,906,460**	**23,896,203**	**19,574,526**	**23,896,203**
Amounts due to employees		759,083	424,446	629,905	424,446
Total other payables		**759,083**	**424,446**	**629,905**	**424,446**
Trade and other payables at 31 December		**22,665,543**	**24,320,649**	**20,204,431**	**24,320,649**

The carrying amount of trade and other payables does not differ significantly from its fair value.

25 Contract Liabilities

	Consolidated		Separate	
In thousands of Mongolian Togrogs	2021	2020	2021	2020
Contract liabilities of royalty fee	652,392	358,128	652,392	358,128
Loyalties points	271,876	88,030	271,876	88,030
Gift cards	30,048	11,006	30,048	11,006
Contract liabilities – advances from customer	19,298	-	-	-
Total contract liabilities	**973,614**	**457,164**	**954,316**	**457,164**

Revenue recognised in relation to contract liabilities. MNT 457,164 thousand (2020: MNT 46,664 thousand) of revenue was recognised in the current reporting period related to the contract liabilities as at 31 December 2020.

26 Revenue from Contracts with Customers

	Consolidated		Separate	
In thousands of Mongolian Togrogs	2021	2020	2021	2020
Revenue from sale of goods to end-customers	78,852,510	42,626,801	79,086,483	42,626,801
Revenue from sale of goods to sub-franchisees	13,890,850	2,391,595	13,890,850	2,391,595
Service revenue from sub-franchisees	1,024,552	290,376	1,024,552	290,376
Royalties for use of brand name	270,105	39,260	270,105	39,260
Total revenue from contracts with customers	**94,038,017**	**45,348,032**	**94,271,990**	**45,348,032**

As a result of increase in retail stores' number in 2021, from 105 to 165 there is a significant increase in revenue from sale of goods and to end-customer in 2021.

Timing of revenue recognition (for each revenue stream) is as follows:

	Consolidated		Separate	
In thousands of Mongolian Togrogs	2021	2020	2021	2020
At a point in time	92,743,360	45,018,396	92,977,333	45,018,396
Over time	1,294,657	329,636	1,294,657	329,636
Total revenue from contracts with customers	**94,038,017**	**45,348,032**	**94,271,990**	**45,348,032**

Revenues from external customers for each group of similar products or services are as follows:

	Consolidated		Separate	
In thousands of Mongolian Togrogs	2021	2020	2021	2020
Segment 1				
- Sales of resale goods	78,852,510	42,626,801	79,086,483	42,626,801
- Sales of resale goods to sub-franchise	13,890,850	2,391,595	13,890,850	2,391,595
Segment 2				
- Service revenue to sub-franchise	1,294,657	329,636	1,294,657	329,636
Total revenue from contracts with customers	**94,038,017**	**45,348,032**	**94,271,990**	**45,348,032**

For segment information please refer to Note 7.

27 Cost of sales

		Consolidated		Separate	
In thousands of Mongolian Togrogs	Note	2021	2020	2021	2020
Direct raw materials*	15	71,238,685	31,940,167	73,150,570	31,940,167
Direct labour costs*		11,633,724	6,249,140	9,670,396	6,249,140
Depreciation and amortization expense		8,617,242	5,251,103	7,402,331	5,251,103
Distribution fee		2,974,486	1,903,757	4,517,959	1,903,757
Utility expenses		1,181,148	821,247	988,926	821,247
Other expenses		5,260,803	4,541,422	4,447,238	4,541,422
Total cost of sales		**100,906,088**	**50,706,836**	**100,177,420**	**50,706,836**

*Included in the direct raw materials are goods purchased from related parties of MNT 3,826,817 thousand (2020: 1,681,140 thousand).

*Included in the direct labor costs social contribution expense of MNT 983,687 thousand (2020: MNT 342,863 thousand)

28 General, Administrative and Selling Expenses

		Consolidated		Separate	
In thousands of Mongolian Togrogs	Note	2021	2020	2021	2020
Labour costs*		4,147,652	3,299,521	4,078,362	3,299,521
Marketing expenses		1,038,323	565,091	1,038,323	565,091
Depreciation and amortization expenses		735,206	573,624	728,147	573,624
Professional service fee		389,789	80,230	371,253	80,230
Celebration expense		182,185	70,810	182,185	70,810
Bad debt expense	17	145,538		144,538	
Training and development expense		130,295	17,420	130,295	17,420
Telecommunication and IT expenses		129,319	167,076	113,650	167,076
HR operating expense		84,241	43,685	84,241	43,685
Research and development expense		50,610	8,247	50,610	8,247
Contract work		-	34,533	-	34,533
Other		821,687	242,188	760,782	242,188
Total general, administrative and selling expenses		**7,854,845**	**5,102,425**	**7,682,386**	**5,102,425**

*Included in the labour costs social contribution expense of MNT 450,953 thousand (2020: MNT 176,816 thousand).

29 Other gains/(losses), net

		Consolidated		Separate	
In thousands of Mongolian Togrogs	Note	2021	2020	2021	2020
Gain from recharge costs		98,122	93,825	98,122	93,825
Gain from disposal of ROUA		706,646	234,568	706,646	234,568
Other gains		47,667	4,280	47,667	4,280
Total other gains		**852,435**	**332,673**	**852,435**	**332,673**
Foreign exchange losses less gains (other than on borrowings)		52,725	262,689	52,725	262,689
Loss on disposal of property, plant and equipment		60,904	76,645	60,904	76,645
Other losses		49,747	26,949	42,526	26,949
Total other losses		**163,376**	**366,283**	**156,155**	**366,283**
Total other gains/(losses), net		**689,059**	**(33,610)**	**696,280**	**(33,610)**

30 Finance Costs

		Consolidated		Separate	
In thousands of Mongolian Togrogs	Note	2021	2020	2021	2020
Interest expense on lease liability		3,991,762	2,974,883	3,927,317	2,974,883
Interest expenses on borrowing		1,697,388	2,253,612	1,154,845	2,253,612
Other finance costs		11,343	359,913	11,343	359,913
Total finance costs recognised in profit or loss		**5,700,493**	**5,588,408**	**5,093,505**	**5,588,408**

31 Finance Income

In thousands of Mongolian Togrogs	Consolidated 2021	Consolidated 2020	Separate 2021	Separate 2020
Foreign exchange gain on borrowings	673,662	36,043	673,662	36,043
Interest income from lease receivables	549,403	123,372	549,403	123,372
Interest income on debt securities	162,378	-	162,378	-
Interest income on cash in banks and term deposits	27,582	-	27,582	-
Interest income on loan	16,877	-	16,877	-
Finance income recognised in profit or loss	**1,429,902**	**159,415**	**1,429,902**	**159,415**

32 Income Taxes

(a) Components of income tax expense / (benefit)

Income tax expense recorded in profit or loss comprises the following:

In thousands of Mongolian Togrogs	Consolidated 2021	Consolidated 2020	Separate 2021	Separate 2020
Current tax	69,668	45,072	69,668	45,072
Income tax benefit	(58,172)	(240,809)	(54,710)	(240,809)
Income tax expense/(credit) for the year	**11,496**	**(195,737)**	**14,958**	**(195,737)**

(b) Reconciliation between the tax expense and profit or loss multiplied by applicable tax rate

The income tax rate applicable to the majority of the Group's 2021 income is 10%. A reconciliation between the expected and the actual taxation charge is provided below.

In thousands of Mongolian Togrogs	Consolidated 2021	Consolidated 2020	Separate 2021	Separate 2020
Loss before tax	**(18,054,281)**	**(15,923,832)**	**(16,330,746)**	**(15,923,832)**
Theoretical tax charge at statutory rate of 10%:	(1,805,428)	(1,592,383)	(1,633,075)	(1,592,383)
Tax effect of items which are not deductible or assessable for taxation purposes:				
- Income which is exempt from taxation	(224)	-	(224)	-
- Non-deductible expenses	392,849	118,157	421,382	118,157
- Unrecognised other potential deferred tax assets	1,354,631	1,233,417	1,157,207	1,233,417
- Income at special rate	69,668	45,072	69,668	45,072
Income tax expense/(credit) for the year	**11,496**	**(195,737)**	**14,958**	**(195,737)**

Difference between IFRS and statutory taxation regulations in Mongolia give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases.

(c) Tax loss carry forwards

As at 31 December 2021 the Group has unrecognised potential deferred tax assets in respect of unused tax loss carry forwards of MNT 2,588,063 thousand (2020: 1,233,417 thousand). The expiration schedule of the Group's recognized tax loss carry forward is as follows:

32 Income Taxes (Continued)

	Consolidated		Separate	
In thousands of Mongolian Togrogs	2021	2020	2021	2020
Tax loss carry-forwards expiring by the end of:				
- 31 December 2024	12,334,319	12,334,319	12,334,319	12,334,319
- 31 December 2025	13,546,310	-	11,572,071	-
Total tax loss carry forwards at 31 December	**25,880,629**	**12,334,319**	**23,906,390**	**12,334,319**

Starting from 1 January 2020 the amendments to the Mongolian tax legislation became effective in respect of tax loss carry forwards. The 4-year expiry period for tax loss carry-forwards is applied. The amount of losses that can be utilized each year during the effective period is limited to 50% of annual taxable profit.

The tax effect of the movements in the temporary differences for the year ended 31 December 2021 are:

In thousands of Mongolian Togrogs	2020	(Charged)/Credited to profit or loss	2021
Consolidated			
Difference between tax and accounting value of Property Plant and equipment (different tax depreciation)	37,657	46,602	84,259
Accruals tax deductible in different period on ROU assets/lease liability	160,964	80,921	241,885
Difference due to foreign exchange rate	42,187	(89,258)	(47,071)
Deferred tax asset	**240,808**	**38,265**	**279,073**
Separate			
Difference between tax and accounting value of Property Plant and equipment (different tax depreciation)	37,657	77,460	238,424
Accruals tax deductible in different period on ROU assets/lease liability	160,964	66,508	104,166
Difference due to foreign exchange rate	42,187	(89,258)	(47,071)
Deferred tax asset	**240,808**	**54,710**	**295,519**

The tax effect of the movements in the temporary differences for the year ended 31 December 2020 are:

In thousands of Mongolian Togrogs	2019	(Charged)/Credited to profit or loss	2020
Tax effect of deductible/taxable temporary difference			
Accruals tax deductible in different period on ROU assets/lease liability	-	160,964	160,964
Difference between tax and accounting value of Property Plant and equipment (different tax depreciation)	-	37,658	37,658
Other		42,187	42,187
Net deferred tax asset	-	**240,809**	**240,809**

33 Loss per Share

Basic earnings/(loss) per share are calculated by dividing the profit or loss attributable to owners of the Group by the weighted average number of shares in issue during the year, excluding treasury shares.

Weighted average number of shares outstanding for fiscal year 2021 is calculated as follows:

Date	Shares issued	Days outstanding	Weighted average number of shares outstanding
2021-01-01	171,452,555	365	171,452,555
2021-06-08	77,243,958	207	43,806,847
2021-06-08	20,000,000	207	11,342,466
2021-06-08	360,275,649	207	204,320,711
2021-06-11	50,835,512	204	28,412,177
2021-11-12	137,960,969	50	18,898,763
Sum			**478,233,518**

For year 2020, the company's number of shares outstanding was constant 171,452,555 with no new share issue or repurchase.

Earnings per share from continuing operations are calculated as follows:

		Consolidated		Separate	
In thousands of Mongolian Togrogs	Note	2021	2020	2021	2020
Profit/(Loss) for the year attributable to common shareholders		(18,065,777)	(15,728,095)	(16,345,704)	(15,728,095)
Weighted average number of common shares in issue (thousands)		478,234	171,453	478,234	171,453
Basic and diluted earnings/(loss) per common share (expressed in MNT per share)		**(37.78)**	**(91.73)**	**(34.18)**	**(91.73)**

The Group has no dilutive potential common shares; therefore, the diluted earnings per share equals the basic earnings per share.

34 Significant Non-cash Investing and Financing Activities

Investing transactions that did not require the use of cash and cash equivalents and were excluded from the statement of cash flows are as follows:

	Consolidated		Separate	
In thousands of Mongolian Togrogs	2021	2020	2021	2020
Non-cash investing activities				
Acquisition of subsidiary in exchange issue of ordinary shares	(7,724,396)	-	(7,724,396)	-
Acquisition of property, plant and equipment in exchange for other current assets	(2,035,971)	-	-	-
Non-cash investing activities	**(9,760,367)**	**-**	**(7,724,396)**	**-**

Financing transactions that did not require the use of cash and cash equivalents and were excluded from the statement of cash flows are as follows:

	Consolidated		Separate	
In thousands of Mongolian Togrogs	2021	2020	2021	2020
Non-cash financing activities				
Issue of ordinary shares in exchange for settlement of payable balance to related parties	(19,795,024)	-	(19,795,024)	-
Issue of ordinary shares in exchange for subsidiary	(7,724,396)		(7,724,396)	
Repayment of borrowings in ordinary shares	(21,316,091)	-	(21,316,091)	-
Non-cash financing activities	**(21,316,091)**	**-**	**(48,835,511)**	**-**

35 Business Combinations under common control

On 8th June 2021 the Company acquired 100% of the share capital of Premium Distribution LLC from Premium Group LLC and obtained control through its ability to cast majority of votes in general meeting of shareholders. Premium Distribution LLC is a food production company who is producing exclusively for Central Express CVS JSC needs. The acquisition has been undertaken for the purpose of an IPO to increase the value of the Group and simplification of its' supply chain and distribution operations.

The acquisition of Premium Distribution LLC is a business combination under common control (i.e. Premium Distribution and Central Express are ultimately controlled by the same ultimate controlling party – brothers Gankhuyag A. and Ganbold A. and the control is not transitory).

The Group has accounted for this acquisition using provisional values of the purchase consideration and of some of the identifiable assets and liabilities of acquiree (as indicated below). The business combination was already recognised in the interim financial statements for the 6 months ended 30 June 2021 (included in the prospectus); nevertheless the Group has by omission not made in those interim accounts a clear statement that the accounting is provisional. The acquisition-date provisional value of the total purchase consideration and its components are as follows:

In thousands of Mongolian Togrogs	**At 8 June 2021**
Ordinary shares issued	7,724,396
Total purchase consideration	**7,724,396**

The provisional value of the 77,253,960 shares issued as part of the consideration paid for Premium Distribution LLC (MNT 7,724,396 thousand) was based on the par value of shares of Premium Distribution on 8 June 2021. The par value of shares of Premium Distribution was used as provisional value because it is the amount which was agreed by the shareholders as the basis to determine the contribution to be made by the other shareholder (BGF) in the form of the receivables in order to keep the nominal and relative ownership interest in Central Express unchanged after the acquisition of Premium Distribution.

The assets and liabilities recognized as a result of the acquisition are as follows:

In thousands of Mongolian Togrogs	**Total attributed value**
Attributed fair value	
Cash and cash equivalents	242,776
Trade and other receivables	32,228
Prepayments	196,988
Tax receivables	1,256,052
Right-of-use-assets	795,369
Lease liabilities	(1,089,528)
Tax liabilities	(104,609)
Trade and other payables	(8,329,132)
Borrowings	(7,019,585)
Attributed provisional value:	
Property, plant and equipment	16,723,275
Intangible assets	104,071
Other current assets	2,919,265
Inventory	406,729
Provisional value of identifiable net assets of subsidiary	**6,116,899**
Provisional value of the consideration transferred	**8,935,806**
Provisional Goodwill arising from the acquisition	2,818,907

35 Business Combinations under common control (Continued)

The provisional values of assets and liabilities acquired are based on book values as of acquisition date from the IFRS financial statements of Premium Distribution LLC. The fair value of the acquired identifiable intangible assets, property, plant and equipment and inventory are provisional pending receipt of the final valuations for those assets and those are the areas where the significant adjustments may occur as compared to the provisional values. Identifiable intangible assets include land possession rights license and software licence.

As the result of the acquisition of Premium Distribution by Central Express, the pre-existing relationship (being a prepayment made by Central Express to Premium Distribution for the delivery of goods in the amount of MNT 1,211,410) were settled. Using provisional values, no gain/loss was recognised on the settlement of the pre-existing relationship (i.e. the Central Express's prepayment was equal to the contract liability of Premium Distribution).

The goodwill is primarily attributable to the profitability of the acquired business, the significant synergies and combined cost savings expected to arise. The goodwill will not be deductible for tax purposes in future periods.

The acquired subsidiary revenue is fully eliminated at consolidates and does not contribute revenue. The loss of MNT 1,720,074 thousand is included in the consolidated financial statements of the Group for the period from the date of acquisition to 31 December 2021.

If the acquisition had occurred on 1 January 2021, Group revenue for 2021 would have been MNT 94,271,990 thousand, and loss for 2021 would have been MNT 17,970,355 thousand.

The acquisition-related costs are immaterial

36 Contingencies and Commitments

Legal proceedings. From time to time and in the normal course of business, claims against the Group 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 consolidated financial statements.

At 31 December 2021 the Group was not engaged in any litigation proceedings therefore, no provision has been made as the Group's management believes that it is not likely that any significant loss will arise.

Tax contingencies. Mongolian tax legislation which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be challenged tax authorities

The Mongolian transfer pricing legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not arm's length. Tax liabilities arising from transactions between companies are determined using actual transaction prices. It is possible, with the evolution of the interpretation of the transfer pricing rules, that such transfer prices could be challenged. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

As Mongolian tax legislation does not provide definitive guidance in certain areas, the Group adopts, from time to time, interpretations of such uncertain areas that reduce the overall tax rate of the Group. While management currently estimates that the tax positions and interpretations that it has taken can probably be sustained, there is a possible risk that an outflow of resources will be required should such tax positions and interpretations be challenged by the tax authorities. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

Compliance with covenants. The Group and the Company is subject to certain covenants related primarily to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group including increase in liquidity risk, where borrowings are repayable on demand. The Group was in compliance with covenants at 31 December 2021 and 31 December 2020.

37 Principal Subsidiaries

Name	Nature of business	Percentage of voting rights	Percentage of ownership	Country of registration
Subsidiaries:				
Premium Distribution LLC	Food production, warehousing, and transportation support services	100	100	Mongolia

As at 31 December 2021, the subsidiary's total revenue before elimination was MNT 8,472,034 thousand. Total revenue of the subsidiary is 100% eliminated in the consolidated financial statements.

38 Financial Risk Management

The risk management function within the Group is carried out with respect to financial risks, operational risks, and legal risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risks), credit risk and liquidity risk. The primary function of financial risk management is to establish risk limits and to ensure that any exposure to risk stays within these limits. The operational and legal risk management functions are intended to ensure the proper functioning of internal policies and procedures in order to minimise operational and legal risks.

Credit risk. The Group exposes itself to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation.

Exposure to credit risk arises as a result of the Group's lending and other transactions with counterparties, giving rise to financial assets and off-balance sheet credit-related commitments.

The Group's maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the statement of financial position.

The Group's and the Company maximum exposure to credit risk by class of financial assets (at gross values) is as follows:

	Consolidated		Separate	
In thousands of Mongolian Togrogs	**2021**	**2020**	**2021**	**2020**
Trade and other receivables (Note 17)				
- Trade receivables	440,801	616,163	440,801	616,163
- Other financial receivables	690,608	451,304	1,098,220	451,304
Finance lease receivables (Note13)				
- Finance lease receivable	4,545,873	2,234,808	4,545,873	2,234,808
Cash and cash equivalents (Note 19)				
- Bank balances payable on demand	3,688,071	5,977,829	3,507,664	5,977,829
Loans issued (Note 14)	2,016,877	-	2,016,877	-
Total maximum exposure to credit risk 31 December	**11,382,230**	**9,280,104**	**11,609,435**	**9,280,104**

Credit risk management. Credit risk is the single largest risk for the Group's business; management therefore carefully manages its exposure to credit risk.

Credit risk grading system. For measuring credit risk and grading financial instruments by the amount of credit risk, the Group applies an approach based on risk grades estimated by external international rating agencies (Standard & Poor's – "S&P", Fitch, Moody's). Internal and external credit ratings are mapped on an internally defined master scale with a specified range of probabilities of default as disclosed in the table below:

38 Financial Risk Management (Continued)

Master scale credit risk grade	Corresponding ratings of external international rating agencies (S&P)	Corresponding PD interval
Excellent	AAA to BB+	0,01% – 0,5%
Good	BB to B+	0,51% – 3%
Satisfactory	B, B-	3% – 10%
Special monitoring	CCC+ to CC-	10% – 99,9%
Default	C, D-I, D-II	100%

Each master scale credit risk grade is assigned a specific degree of creditworthiness:

- *Excellent* – strong credit quality with low expected credit risk;
- *Good* – adequate credit quality with a moderate credit risk;
- *Satisfactory* – moderate credit quality with a satisfactory credit risk;
- *Special monitoring* – facilities that require closer monitoring and remedial management; and
- *Default* – facilities in which a default has occurred.

External ratings are assigned to counterparties by independent international rating agencies, such as S&P, Moody's and Fitch. These ratings are publicly available.

Expected credit loss (ECL) measurement. *ECL* is a probability-weighted estimate of the present value of future cash shortfalls (i.e., the weighted average of credit losses, with the respective risks of default occurring in a given time period used as weights).

An ECL measurement is unbiased and is determined by evaluating a range of possible outcomes. ECL measurement is based on four components used by the Group: Probability of Default ("PD"), Exposure at Default ("EAD"), Loss Given Default ("LGD") and Discount Rate.

EAD is an estimate of exposure at a future default date, taking into account expected changes in the exposure after the reporting period, including repayments of principal and interest. PD an estimate of the likelihood of default to occur over a given time period. LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD. The expected losses are discounted to present value at the end of the reporting period. The discount rate represents the effective interest rate ("EIR") for the financial instrument or an approximation thereof.

Expected credit losses are modelled over instrument's *lifetime period.* The *lifetime period* is equal to the remaining contractual period to maturity of debt instruments, adjusted for expected prepayments, if any.

Management models *Lifetime ECL,* that is, losses that result from all possible default events over the remaining lifetime period of the financial instrument. The *12-month ECL,* represents a portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting period, or remaining *lifetime period* of the financial instrument if it is less than a year.

The ECLs that are estimated by management for the purposes of these consolidated financial statements are point-in-time estimates. The estimates consider *forward looking information,* that is, ECLs reflect probability weighted development of key macroeconomic variables that have an impact on credit risk.

For purposes of measuring PD, the Group defines default as a situation when the exposure meets one or more of the following criteria:

- the borrower is more than 90 days past due on its contractual payments;
- international rating agencies have classified the borrower in the default rating class;
- the borrower meets the unlikeliness-to-pay criteria listed below:

38 Financial Risk Management (Continued)

- the borrower is deceased;
- the borrower is insolvent;
- the borrower is in breach of financial covenant(s); and
- it is becoming likely that the borrower will enter bankruptcy.

For purposes of disclosure, the Group fully aligned the definition of default with the definition of credit-impaired assets. The default definition stated above is applied to all types of financial assets of the Group.

The assessment whether there has been a significant increase in credit risk ("SICR") since initial recognition is performed on an individual basis. The presumption, being that there have been significant increases in credit risk since initial recognition when financial assets are more than 30 days past due, has not been rebutted.

Market risk. The Company takes on exposure to market risks. Market risks arise from open positions in (a) currency, (b) interest rates and (c) equity products, all of which are exposed to general and specific market movements. Management sets limits on the value of risk that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Currency risk. In respect of currency risk, management sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily.

The table below summarises the Group's and the Company's exposure to foreign currency exchange rate risk at the end of the reporting period:

In thousands of Mongolian Togrogs	2021 USD	KRW	EUR	Total	2020 USD	KRW	EUR	Total
Financial assets								
Cash and cash equivalents	11,425	52	2	11,479	5,228,687	201	-	5,228,888
Total financial assets	**11,425**	**52**	**2**	**11,479**	**5,228,687**	**201**	**-**	**5,228,888**
Financial Liabilities								
Trade and other payables	377,165	163,988	48	541,201	4,699	536,706	6,575	547,980
Borrowing	-	7,234,171	-	7,234,171	-	10,520,000	-	10,520,000
Total financial liabilities	**377,165**	**7,398,159**	**48**	**7,775,372**	**4,699**	**11,056,706**	**6,575**	**11,067,980**

The above analysis includes only monetary assets and liabilities. Investments in equities and non-monetary assets are not considered to give rise to any material currency risk.

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

	At 31 December 2021		***At 31 December 2020***	
In thousands of Mongolian Togrogs	***Impact on Profit and Loss***	***Impact on equity***	***Impact on Profit and Loss***	***Impact on equity***
US Dollar, strengthening by 20% (2020: 20%)	(73,148)	(73,148)	1,044,798	1,044,798
US Dollar, weakening by 20% (2020: 20%)	73,148	73,148	(1,044,798)	(1,044,798)
Korean Won, strengthening by 20% (2020: 20%)	(1,479,621)	(1,479,621)	(2,211,301)	(2,211,301)
Korean Won, weakening by 20% (2020: 20%)	1,479,621	1,479,621	2,211,301	2,211,301

Liquidity risk. Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group is exposed to daily calls on its available cash resources.

The Group manages its liquidity by maintaining adequate cash balances and available credit limits, by monitoring forecast and actual cash receipts and expenses regularly, as well as by maintaining maturity analysis of financial assets and liabilities.

38 Financial Risk Management (Continued)

The table below shows liabilities at 31 December 2021 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flow, such undiscounted cash flows differ from the amount included in the statement of financial position because the statement of financial position amount is based on discounted cash flows.

When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. Foreign currency payments are translated using the spot exchange rate at the end of the reporting period.

The maturity analysis of consolidated financial liabilities at 31 December 2021 is as follows:

In thousands of Mongolian Togrogs	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**From 12 months to 5 years**	**Total**
Trade and other payables (Note 24)	14,988,206	7,677,337	-	-	22,665,543
Borrowing from third party (Note 21)	95,293	748,297	2,298,448	9,336,837	12,478,875
Borrowing from related party (Note 21)		165,019	167,753	8,183,376	8,516,148
Lease liability (Notes 10)	739,872	3,699,360	4,439,233	31,891,360	40,769,826
Total future payments including future principal and interest payments	**14,666,050**	**12,290,014**	**7,625,568**	**49,848,759**	**84,430,392**

The maturity analysis of separate financial liabilities at 31 December 2021 is as follows:

In thousands of Mongolian Togrogs	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**From 12 months to 5 years**	**Total**
Trade and other payables (Note 24)	12,527,094	7,677,337	-	-	20,204,431
Borrowing from related party (Note 21)	-	165,019	167,753	8,183,376	8,516,148
Lease liability (Notes 10)	661,122	3,305,610	3,966,733	31,733,860	39,667,326
Total future payments including future principal and interest payments	**13,188,216**	**11,147,967**	**4,134,485**	**39,917,236**	**68,387,905**

The maturity analysis of consolidated and separate financial liabilities at 31 December 2020 is as follows:

In thousands of Mongolian Togrogs	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**From 12 months to 5 years**	**Total**
Trade and other payables (Note 24)	23,055,895	840,308	-	-	23,896,203
Borrowing from third party (Note 21)	-	416,667	15,353,655	-	15,770,322
Borrowing from related party (Note 21)	-	575,040	-	11,572,000	12,147,040
Lease liabilities (Note 10)	206,118	923,622	821,664	21,171,784	23,123,188
Total future payments including future principal and interest payments	**23,262,013**	**2,755,637**	**16,175,319**	**32,743,784**	**74,936,753**

39 Management of Capital

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The amount of capital that the Company managed as of 31 December 2021 was MNT 45,726,369 thousand (2020: negative MNT 16,380,038 thousand). The amount of capital that the Group managed as of 31 December 2021 was MNT 44,006,295 thousand (2020: negative MNT 16,380,038 thousand).

40 Fair Value Disclosures

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

41 Presentation of Financial Instruments by Measurement Category

For the purposes of measurement, IFRS 9 "Financial Instruments" classifies financial assets into the following categories: (a) financial assets at FVTPL; (b) debt instruments at FVOCI, (c) equity instruments at FVOCI and (c) financial assets at AC. Financial assets at FVTPL have two sub-categories: (i) assets mandatorily measured at FVTPL, and (ii) assets designated as such upon initial recognition. In addition, finance lease receivables form a separate category.

42 Events after the Reporting Period

Covid-19 update. On 15 February 2022 Company's stores have started to operate full 24 hours. The company is increasing the number of its 24-hour operating stores on a daily basis.

Acquisition of Circle K Stores. In December 2021, the Company has started a negotiation with Circle Chain LLC /who operates Circle K convenience chain stores in Mongolia/ to acquire existing stores of Circle K. The deal was finalized in 2022 and the Company has acquired 12 locations which previously operated as a Circle K stores and have converted them into CU stores.

Independent member of Board of Directors, Mr. Ganbold R., also member of Nomination committee and Remuneration committee, has resigned from his duty on 28 January 2022, voluntarily. Mr. Enkhbold N. has been temporarily appointed as an independent board member.

On 21 January 2022, the Company has registered a new wholly owned subsidiary, Central Commerce LLC. Main operations of Central Commerce LLC are export, import activities and wholesale and retail trade.

43 Translation

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