

CENTRAL EXPRESS CVS JSC

Consolidated and Separate Financial Statements

For the year ended 31 December 2023

(With Independent Auditors' Report Thereon)

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Management's Responsibility Statement

The Group's management is responsible for the preparation of the financial statements.

The consolidated and separate financial statements of Central Express CVS JSC (the "Company") and its subsidiaries (together the "Group") have been prepared to comply with International Financial Reporting Standards. The Group's and the Company's management is responsible for ensuring that these financial statements present fairly the state of affairs of the Group and the Company as at 31 December 2023 and the financial performance and cash flows for the period then ended on that date.

The Group's and the Company's management has responsibility for ensuring that the Group keeps proper accounting records which disclose with reasonable accuracy the financial position of the Company and the Group and which enable it to ensure that the financial statements comply with the requirements set out in Notes 2 to 6 thereto.

The Group's and the Company's management also has a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Group's and the Company's management consider that, in preparing the financial statements including explanatory notes, it has used appropriate policies, consistently applied and supported by reasonable and prudent judgment and estimates, and that all applicable accounting standards have been followed.

The consolidated and separate financial statements of the Group and the Company for the year ended 31 December 2023 were authorised for issuance by the Group's Board of Directors.


Chinzorig.G
Deputy Chief Executive Officer
Budkhand.D
Director of Finance Department
Business Controller

Ulaanbaatar,
Mongolia

Date: 04 April 2024



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Independent Auditors' Report

To: The Shareholder and Board of Directors of Central Express CVS Joint Stock Company

Opinion

We have audited the accompanying consolidated and separate financial statements of Central Express CVS JSC (the "Company") and its subsidiary (together the "Group"), which comprise the statements of financial position as at 31 December 2023, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the financial positions of the Group and the Company as at 31 December 2023, and of their financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

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 *Auditors' Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the Group and the Company in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code") together with the ethical requirements that are relevant to our audit of the consolidated and separate financial statements in Mongolia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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



Key Audit Matters, Continued

Revenue recognition

Refer to Note 25 to the consolidated and separate financial statements and the accounting policies in Note 3.

Area of focus	How our audit addressed the area of focus
<p>Under International Standards on Auditing, we are required to consider that the fraud risk from revenue recognition as a significant risk. We have determined to apply to the occurrence of the revenue, specially relates to the existence of sub-franchise stores.</p> <p>Due to these factors, we have considered revenue recognition over sub-franchise stores to be a key audit matter relevant to our audit of the consolidated and separate financial statements.</p>	<p>Our audit procedures over revenue from sub-franchise stores included, among others:</p> <ul style="list-style-type: none"> - We have assessed selected controls management has in place over the sales and revenue recognition process over sub-franchise stores, focusing on controls over the existence and accuracy of revenue recognition. - We have performed audit procedures over sales between the Group and Company's sales from sub-franchise stores by sending confirmation letters to the owners of sub-franchise stores. - We have reconciled all sales during the year against the e-Barimt system, which is owned and managed by the Mongolian Tax Authority. - We have assessed whether revenue was recognised in the appropriate accounting period and in accordance with the terms of sales. - We have conducted inquiries of management and those charged with governance, relating to instances of fraudulent revenue recognition and any relevant significant unusual transactions during the year. - We have assessed the appropriateness of accounting policy for revenue recognition and comparing with the applicable accounting and reporting standards.



Other Information

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

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 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, 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 Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of 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 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 or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' 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.



Auditors' Responsibilities for the Audit of the Consolidated and Separate Financial Statements, Continued

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 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 ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- 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 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.



Auditors' Responsibilities for the Audit of the Consolidated and Separate Financial Statements, Continued

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 auditors' 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 auditors' report is Cho Sang Yong, and the General Director of the audit firm is Soyolmaa Gungaanyambuu.



Signed by:

Soyolmaa Gungaanyambuu
General Director

Approved by:

Cho Sang Yong
Partner

This report is effective as at 04 April 2024, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated and separate financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any. Furthermore, this report is intended solely for the use of the shareholders of the Group. To the fullest extent permitted by law, we do not assume responsibility towards or accept liability to any other party in relation to the contents of this report.

Central Express CVS JSC
Consolidated and Separate Statements of Financial Position

In thousands of MNT	Notes	Consolidated		Separate	
		31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
ASSETS					
Non-current assets					
Property, plant and equipment	9	84,451,983	67,338,093	59,941,243	48,693,267
Right-of-use assets	10	50,532,242	46,960,531	50,532,242	46,960,531
Investments in subsidiaries	11	-	-	7,724,396	7,725,396
Intangible assets	12	5,744,456	5,854,517	4,553,093	4,421,733
Finance lease receivables	13	8,238,816	3,455,416	8,238,816	3,455,416
Prepayments	16	770,655	454,647	39,953	62,079
Trade and other receivables	17	2,160,078	1,778,188	1,246,439	1,047,672
Deferred tax assets	31	1,426,345	767,375	1,423,979	776,501
Total non-current assets		153,324,575	126,608,767	133,700,161	113,142,595
Current assets					
Loan issued	14, 34	2,000,000	-	2,000,000	-
Inventories	15	28,250,029	31,838,373	26,423,114	28,617,577
Prepayments	16	1,761,313	3,313,251	1,291,828	4,508,701
Trade and other receivables	17, 34	3,675,977	4,489,855	21,739,978	11,087,757
Cash and cash equivalents	18, 34	2,980,585	4,280,725	2,884,456	4,019,062
Finance lease receivables	13, 34	1,502,377	517,704	1,502,377	517,704
Total current assets		40,170,281	44,439,908	55,841,753	48,750,801
TOTAL ASSETS		193,494,856	171,048,675	189,541,914	161,893,396
EQUITY					
Share capital	19	81,776,864	81,776,864	81,776,864	81,776,864
Share premium	19	13,820,503	13,820,503	13,820,503	13,820,503
Other equity		318,731	318,731	-	-
Accumulated deficit		(110,184,780)	(77,478,477)	(105,614,580)	(72,667,229)
TOTAL EQUITY		(14,268,682)	18,437,621	(10,017,213)	22,930,138
LIABILITIES					
Non-current liabilities					
Long-term lease liabilities	10	56,622,145	49,410,996	56,622,145	49,410,996
Long-term borrowings	20, 34	33,882,015	27,932,886	32,947,160	23,178,869
Other long-term liabilities		709,269	953,091	709,269	898,319
Contract liabilities	24	117,781	264,848	117,781	264,848
Deferred tax liabilities	31	259,446	287,593	-	-
Total non-current liabilities		91,590,656	78,849,414	90,396,355	73,753,032
Current liabilities					
Lease liabilities	10, 34	12,079,710	7,905,463	12,079,710	7,905,463
Borrowings	20, 34	19,969,946	17,280,869	16,107,785	12,902,042
Other taxes payable	22	1,669,598	867,480	1,598,726	759,789
Trade and other payables	23, 34	81,166,900	47,085,498	78,139,473	43,039,913
Contract liabilities	24	1,245,531	602,570	1,224,936	583,259
Current income tax payable		41,197	19,760	12,142	19,760
Total current liabilities		116,172,882	73,761,640	109,162,772	65,210,226
TOTAL LIABILITIES		207,763,538	152,611,054	199,559,127	138,963,258
TOTAL LIABILITIES AND EQUITY		193,494,856	171,048,675	189,541,914	161,893,396

The accompanying notes on pages 6 to 49 are an integral part of these consolidated and separate financial statements.

Central Express CVS JSC
Consolidated and Separate Statements of Profit or Loss and Other Comprehensive Income

<i>In thousands of MNT</i>	Note	Consolidated		Separate	
		2023	2022	2023	2022
Revenue	25	390,496,597	261,018,893	391,659,417	261,722,623
Cost of sales	26	(393,362,620)	(265,272,083)	(397,214,209)	(265,213,381)
Gross loss		(2,866,023)	(4,253,190)	(5,554,792)	(3,490,758)
General, administrative and selling expenses	27	(17,130,606)	(12,187,007)	(15,129,351)	(11,301,899)
Impairment loss on financial assets		(37,447)	(94,177)	(37,447)	(94,177)
Other gains, net	28	3,054,660	324,869	2,550,889	329,438
Other income		17,070	37,786	-	815
Operating loss		(16,962,346)	(16,171,719)	(18,170,701)	(14,556,581)
Finance costs	29	(17,506,483)	(11,147,568)	(16,523,401)	(9,832,114)
Finance income	30	1,136,615	1,227,674	1,135,767	1,227,674
Loss before income tax		(33,332,214)	(26,091,613)	(33,558,335)	(23,161,021)
Income tax expense	31	625,911	407,229	610,984	364,790
LOSS FOR THE YEAR		(32,706,303)	(25,684,384)	(32,947,351)	(22,796,231)
Other comprehensive income		-	-	-	-
Total comprehensive loss for the year		(32,706,303)	(25,684,384)	(32,947,351)	(22,796,231)
Loss per ordinary share for loss from continuing operations attributable to the owners of the Group, basic and diluted (in MNT per share)	32	(40)	(31)	(40)	(28)

The accompanying notes on pages 6 to 49 are an integral part of these consolidated and separate financial statements.

Central Express CVS JSC
Consolidated and Separate Statements of Changes in Equity

<i>In thousands of MNT</i>	Notes	Share capital	Share premium	Other equity	Accumulated deficit	Total equity
Consolidated						
Balance at 1 January 2022	19	81,776,864	13,820,503	318,731	(51,794,093)	44,122,005
Loss for the year		-	-	-	(25,684,384)	(25,684,384)
Balance at 31 December 2022	19	81,776,864	13,820,503	318,731	(77,478,477)	18,437,621
Loss for the year		-	-	-	(32,706,303)	(32,706,303)
Balance at 31 December 2023	19	81,776,864	13,820,503	318,731	(110,184,780)	(14,268,682)

<i>In thousands of MNT</i>	Notes	Share capital	Share premium	Accumulated deficit	Total equity
Separate					
Balance at 1 January 2022	19	81,776,864	13,820,503	(49,870,998)	45,726,369
Loss for the year		-	-	(22,796,231)	(22,796,231)
Balance at 31 December 2022	19	81,776,864	13,820,503	(72,667,229)	22,930,138
Loss for the year		-	-	(32,947,351)	(32,947,351)
Balance at 31 December 2023	19	81,776,864	13,820,503	(105,614,580)	(10,017,213)

The accompanying notes on pages 6 to 49 are an integral part of these consolidated and separate financial statements.

Central Express CVS JSC
Consolidated and Separate Statements of Cash Flows

		Consolidated		Separate	
<i>In thousands of MNT</i>	<i>Note</i>	2023	2022	2023	2022
Cash flows from operating activities:					
Loss before income tax		(33,332,214)	(26,091,613)	(33,558,335)	(23,161,021)
Adjustments for:					
Depreciation	9	14,670,795	9,341,514	13,146,354	7,781,358
Gain /(Losses) on disposals of property, plant and equipment, net	28	27,867	(74,903)	160,324	21,235
Write off of property, plant and equipment	9	161,633	-	161,633	-
Amortisation of intangible assets	12	1,136,540	895,056	1,012,044	761,445
Impairment loss on financial assets	17	37,447	94,177	37,447	94,177
Depreciation of ROU assets	10	11,749,379	7,683,104	11,749,379	7,372,732
Foreign exchange differences	28	22,417	(223,570)	9,498	(90,177)
(Gain) /Losses on disposals of investments	28	(342,907)	11,452	(50,000)	11,452
Finance income	30	(1,136,615)	(1,227,674)	(1,135,767)	(1,227,674)
Finance costs	29	17,255,606	10,934,608	16,272,524	9,619,154
Gain on disposals of ROU assets	28	(1,722,713)	(390,497)	(1,722,713)	(116,196)
Operating cash flows before working capital changes		8,527,235	951,654	6,082,388	1,066,485
Changes in working capital:					
Inventories	15	3,588,344	(20,520,732)	2,194,463	(18,072,262)
Prepayments	16	1,551,938	(386,694)	3,216,873	(432,394)
Trade and other receivables	17	394,541	(2,867,479)	(10,888,435)	(9,087,345)
Other tax payables	22	802,118	392,853	838,937	342,489
Trade and other payables	23	3,195,250	22,694,407	4,281,099	21,011,214
Contract liabilities	24	495,894	(106,196)	494,610	(106,209)
Operating cash flows after working capital changes		18,555,320	157,813	6,219,935	(5,278,022)
Interest paid for borrowings	21	(6,805,263)	(2,545,882)	(5,714,976)	(1,197,832)
Income taxes paid		(39,769)	(149,666)	(44,112)	(146,310)
Interest paid for lease liabilities	21	(10,292,530)	(7,363,313)	(10,392,376)	(7,358,458)
Interest received		895,085	1,227,674	894,237	1,227,674
Net cash used in operating activities		2,312,843	(8,673,374)	(9,037,291)	(12,752,948)
Cash flows from investing activities:					
Purchase of property, plant and equipment	9	(34,958,873)	(30,125,660)	(24,887,506)	(26,428,016)
Proceeds from disposals of equipment	9	2,387,444	291,915	(87,891)	171,242
Purchase of intangible assets	12	(245,255)	(1,362,604)	(242,255)	(1,312,604)
Proceeds from disposals of intangible assets	12	119,925	11,951	-	-
Receipt from finance lease receivables	10	816,716	572,753	816,716	572,753
Investment in share capital of subsidiary		-	-	-	(1,000)
Proceeds from sale of subsidiary	28	342,907	-	51,000	-
Changes in loans receivable	14	(2,000,000)	2,016,877	(2,000,000)	2,016,877
Proceeds from sale of debt securities at FVTPL		-	14,849,899	-	14,849,899
Net cash used in investing activities		(33,537,136)	(13,744,869)	(26,349,936)	(10,130,849)

The accompanying notes on pages 6 to 49 are an integral part of these consolidated and separate financial statements.

Central Express CVS JSC
Consolidated and Separate Statements of Cash Flows

		Consolidated		Separate	
<i>In thousands of MNT</i>	Notes	2023	2022	2023	2022
Cash flows from financing activities					
Proceeds from issuance of ordinary shares		30,000,000	-	30,000,000	-
Proceeds from borrowings	21	31,827,300	42,841,999	31,800,000	42,841,999
Repayments of borrowings	21	(23,105,377)	(15,142,000)	(18,749,608)	(15,142,000)
Payments of finance lease liabilities	21	(8,797,770)	(5,062,187)	(8,797,770)	(4,677,680)
Net cash from financing activities		29,924,153	22,637,812	34,252,622	23,022,319
Net (decrease)/increase in cash and cash equivalents		(1,300,140)	219,569	(1,134,606)	138,522
Cash and cash equivalents at the beginning of year	18	4,280,725	4,061,156	4,019,062	3,880,540
Cash and cash equivalents at the end of the year	18	2,980,585	4,280,725	2,884,456	4,019,062

The accompanying notes on pages 6 to 49 are an integral part of these consolidated and separate financial statements.