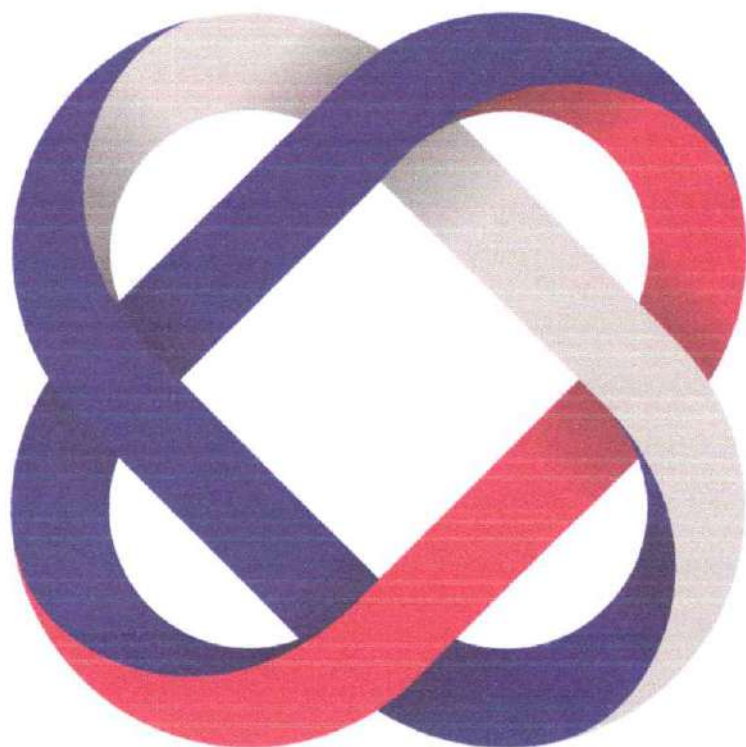


**Consolidated Financial  
Statements and Independent  
Auditor's Report**

**Ard Financial Group JSC**

31 December 2020



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# Group brief information

<b>COMPANY NAME:</b>		Ard Financial Group JSC
<b>BOARD:</b>	Chairman	Batbayar. P
		Gankhuyag. Ch
	Members	Bruno Raschle Sukhdorj. A Batkhishig. Kh Odbayar. O
		Sergelen. M Munkhbat. Ch
	Independent members	Mikhail Zeldovich Arnaud Ventura
<b>MANAGEMENT TEAM:</b>	Chief Executive Officer	Gankhuyag. Ch
	Chief Marketing Officer	Ariunaa. B
	Chief Finance Officer	Zolboo. B
	Chief Investment Officer	Amarbayasgalan. E
	Chief Operations Officer	Altangunii. J
	Chief Digital Technology Officer	Tenuun. G
	Legal Compliance Manager	Anar-Erdene. S
	General Accountant	Selenge. G
<b>COMPANY ADDRESS:</b>	2nd Floor, Ard Financial Group JSC's Building, Prime Minister Amar's Street, the 8th Khoroo, Sukhbaatar District, Ulaanbaatar city, Mongolia	
<b>REGISTRATION NUMBER:</b>	2001861	
<b>PRINCIPAL ACTIVITIES:</b>	Investment, Business Advisory	
<b>NUMBER OF EMPLOYEES:</b>	12	
<b>AUDITOR:</b>	Grant Thornton Audit LLC - A Certified firm of audit, accounting, financial advisory, training and appraisal	

# Management's statement of responsibility for financial reporting

Management is responsible for fair presentation of the Group's Consolidated financial statements for the year ended 31 December 2020, and of its financial performance, cash flows and changes in equity for the period in accordance with International Financial Reporting Standards.

Management has fulfilled the following responsibilities in preparing the Consolidated financial statements:

- Complied all accounting standards through selection of and consistent adherence to appropriate accounting policy, as well as reasonable and accurate calculation and assessment.
- Taken necessary actions to safeguard the Group's assets, to prevent any fraud and misconduct, and to identify such activities.
- The Group has prepared the Consolidated financial statements on a going concern basis.

Batbayar. P, the Board Chairman of the Ard Financial Group JSC, and Gankhuyag. Ch, the Chief Executive Officer, and Selenge. G, the General Accountant, declare that the accompanying Consolidated financial statements presented in page 4 to 9 of this report give a true and fair view of the financial position of the Group as of 31 December 2020, and of its financial performance and its cash flows for the period, in accordance with the International Financial Reporting Standards

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Batbayar. P  
Board Chairman

Date: 2021.08.09

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Gankhuyag. Ch  
Chief Executive Officer

Date: 2021.08.09



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Selenge. G  
General Accountant

Date: 2021.08.09

# Independent auditor's report

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"Grant Thornton Audit" LLC  
A member firm of GTIL global network for assurance, tax and advisory services

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## To shareholders of the Ard Financial Group JSC:

### *Opinion*

We have audited the financial statements of the Ard Financial Group JSC and its subsidiaries (together "Group"), which comprise the statement of financial position as of 31 December 2020, including:

- Consolidated statement of financial position,
- Consolidated statement of comprehensive income for the year ended,
- Consolidated statement of changes in equity,
- Consolidated statement of cash flows
- A summary of significant accounting policies, and
- Notes to the Financial Statements.

In our opinion, the accompanying financial statements of the Ard Financial Group JSC and its subsidiaries give a true and fair view of the financial position as of 31 December 2020 and of its financial performance and its cash flows for the year then ended, in all material respects, in accordance with International Financial Reporting 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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

### *Independence*

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the Code of Ethics for Professional Accountants of Mongolia, and we have fulfilled our other ethical responsibilities in accordance with those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Summary of audit approaches*

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Key audit matters	<ul style="list-style-type: none"><li>• Significant changes have been made in profit and loss in the reporting year and the prior year as a result of an implementation of the IFRS 9 <i>Financial Instruments</i>'s requirements on investments in equity instrument that recognizes changes in fair value through other comprehensive income.</li><li>• Virtual assets have been recorded using the revaluation approach of IAS 38 <i>Intangible Assets</i>.</li><li>• The Group adopted IFRS 16 <i>Leases</i> in the reporting period.</li></ul>
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	<ul style="list-style-type: none"> <li>The Group meets the criteria and specific characteristics of an investment entity, however, financial statements are prepared and presented from the perspective of a non-investment entity.</li> <li>The Group is obliged to comply with IFRSs under the Accounting Law, however, it has not applied the requirements specified in IFRS 9 <i>Financial Instruments</i>.</li> </ul>
Audit scope	<ul style="list-style-type: none"> <li>The Group owns the subsidiaries disclosed in Note 5, and this report is the Consolidated financial statement of the Ard Financial Group JSC.</li> </ul>
Materiality	<ul style="list-style-type: none"> <li>Overall materiality used in audit of the financial statements is MNT 235,956 thousand. The materiality was selected on the basis of 1% of total revenue.</li> </ul>

### *Emphasis of Matter*

Restriction on the basis of accounting and the use and dissemination of this report - We would like you draw attention to information described in Note 1 to the Consolidated financial statements. This Consolidated report was prepared and intended solely for the Management of the Ard Financial Group JSC, and it does not cover all subsidiaries controlled by the Group.

### *Key Audit Matters*

Key audit matters, in our judgement, are matters that have significant impacts on financial statements for the current period. Within the scope of our audit on financial statements, matters were addressed as a whole, and no separate opinions were given on each matter.

Risk	Response
Fair value reserve of the investment in an equity instrument, which was previously recognized in other comprehensive income, was transferred to the profit and loss in the reporting year and prior year. In addition, the fair value of the investment sold in the reporting period is recognized in profit or loss.	<i>Audit procedure:</i> According to IFRS 9, an entity may make irrevocable election to present the changes in fair value of an investment in an equity instrument that is not held for trading in other comprehensive income. In this case, fair value reserve is not be transferred to the profit and loss in the subsequent reporting period. In accordance with this requirement, appropriate adjustments were made in the reporting year and the prior year.
The Group has recognized its virtual assets based on management judgment applying most appropriate estimates as there is an absence of related regulations and IFRS .	<i>Audit procedure:</i> The IFRS Interpretation Committee has published its conclusion on accounting for holdings of cryptocurrencies or virtual assets. In accordance with this document, an adjustment related to virtual assets was made by the management as considering that the Revaluation Model of IAS 38 <i>Intangible Assets</i> is more suitable.
In accordance with IFRS 16 <i>Leases</i> , the right-of-use assets and lease liabilities have been recognized for the first time on the leased properties.	<p><i>Management response:</i> The Group has initially applied IFRS 16 <i>Leases</i> for annual period beginning 2020.</p> <p><i>Audit procedure:</i> Lease right-of-use assets and lease liabilities recognized by the Group's management have been recalculated and adjusted accordingly.</p>

Risk	Response
<p>The Group meets the criteria and specific characteristics of an investment entity, however, financial statements are prepared and presented from the perspective of a non-investment entity.</p>	<p><i>Audit procedure:</i> As stated in the Charter of Ard Financial Group JSC, the Group's core activity involves investment activities. Also, Group's operations qualify most of the characteristics of an investment entity. The Group's management has admitted the auditor's recommendation on validating the status of the investment entity in accordance with IFRS 10 (31) <i>Consolidated Financial Statements</i>; measuring investments in subsidiaries at fair value through profit or loss according to the IFRS 9 <i>Financial Instruments</i>; and implementing a policy exception to consolidation.</p>
<p>In accordance with IFRS 36 <i>Impairment of Assets</i>, the impairment of goodwill resulting from a business combination was not accounted for and recorded.</p>	<p><i>Audit procedure:</i> It is recommended that the impairment of goodwill is annually accounted for and reviewed in accordance with IFRS 36 <i>Impairment of Assets</i>.</p>

**Other matters**

The Group's Consolidated financial statements for the year ended 2019 was audited by the Dalai Van Audit LLC and they provided an unqualified opinion

**Other information**

Management is responsible for the other information. The other information comprises the information included in the annual report of the Group for the year ended 31 December 2020 but does not include the Consolidated financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

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

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

**Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

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

In preparing the Consolidated 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.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

#### *The extent to which the auditor has considered the ability to detect illegal actions, such as fraud*

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

- Identify and assess the risks of material misstatement of the Consolidated 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 auditor's report to the related disclosures in the Consolidated 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 to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Consolidated financial statements, including the disclosures, and whether the 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, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the [Consolidated] 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.

#### *Other regulatory requirements*

In accordance with Article 92 and Article 94 of the Company Law of Mongolia, the Group is responsible to report transactions made with subjects of conflict of interests, and information specified in the law on Securities Market, and by the Financial Regulatory Commission and the Mongolian Stock Exchange as well as other information specified in the Company Charter. No non-compliance was identified in relation to these requirements.

Engagement Partner of this Auditor's Report is N. Erdenetsog.



GRANT THORNTON  
AUDIT LLC  
OSORGARAV. B  
MANAGING PARTNER  
UULANBAATAR 10000 2077542



ERDENETSOG. N  
ENGAGEMENT PARTNER

9 August 2021  
Ulaanbaatar city

# Consolidated statement of financial position

In thousand MNT	Note	31 December 2020	31 December 2019
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	8	16,052,217	11,209,449
Accounts and other receivables	9	8,189,031	3,091,636
Loans to customers	10	20,634,725	19,269,712
Investments in subsidiaries and other companies	11	29,915,559	20,495,395
Inventories	12	47,818	49,948
Prepayments	13	6,251,982	2,906,136
Non-current assets held for sale	14	7,007,626	7,227,554
<b>Total current assets</b>		<b>88,098,958</b>	<b>64,249,830</b>
<b>Non-current assets</b>			
Property and equipment	15	4,334,632	2,232,317
Intangible assets	16	18,281,009	4,946,385
Goodwill	17	6,187,485	6,187,485
<b>Total non-current assets</b>		<b>28,803,126</b>	<b>13,366,187</b>
<b>Total assets</b>		<b>116,902,084</b>	<b>77,616,017</b>
<b>Equity and liabilities</b>			
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts and other payables	18	27,041,687	21,287,345
Unearned revenue	19	8,065,414	5,171,110
Loans from banks and financial institutions	20	22,977,675	13,044,145
Finance lease payable	21	349,718	40,096
<b>Total current liabilities</b>		<b>58,434,494</b>	<b>39,542,696</b>

## Consolidated statement of financial position (continued)

In thousand MNT	Note	31 December 2020	31 December 2019
<b>Non-current liabilities</b>			
Provision /liabilities/	22	3,196,597	3,080,571
Long-term borrowings	20	4,299,338	8,261,238
Deferred tax liabilities	23	1,068,156	224,848
Finance lease payable	21	379,093	262,390
<b>Total non-current liabilities</b>		<b>8,943,184</b>	<b>11,829,047</b>
<b>Total liabilities</b>		<b>67,377,678</b>	<b>51,371,743</b>
<b>Equity attributable to owners</b>			
Share capital	24.1	28,590,335	28,590,335
Treasury share		(7,510,035)	(11,389,968)
Share premium	25	(4,574,947)	-
Revaluation surplus	26	11,240,171	98,382
Other components of equity	27	7,269,121	13,799
Special reserve		-	25,721
Non-controlling interests	28	7,730,262	6,830,705
Retained earnings	29	6,779,499	2,075,300
Percentage to parent company owners		6,779,499	2,075,300
<b>Total equity</b>		<b>49,524,406</b>	<b>26,244,274</b>
<b>Total equity and liabilities</b>		<b>116,902,084</b>	<b>77,616,017</b>

The Consolidated financial statements were approved on 9 August 2021 by:

Gankhuyag. Ch  
Chief Executive Officer

Selenge. G  
General Accountant



The Consolidated statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 47.

# Consolidated statement of comprehensive income

In thousand MNT	Note	2020	2019
Revenue	30	14,299,235	10,209,760
Cost	31	(4,061,708)	(6,390,314)
<b>Gross profit</b>		<b>10,237,527</b>	<b>3,819,446</b>
Lease revenue	32	543,355	121,754
Finance income	33	6,761,304	9,645,316
Other income	34	1,928,996	2,670,850
Sales, marketing expenses	35	(3,929,213)	(5,173,436)
General, administrative expenses	36	(8,429,523)	(8,783,093)
Finance costs	33	(5,936,627)	(3,375,357)
Other expense	37	(2,531,852)	(1,244,893)
Foreign exchange gain (loss)	38	(478,244)	(39,412)
Gain (loss) on disposal of fixed assets		(1,222,710)	49,904
Gain (loss) on sale of investments		62,670	3,193,489
<b>Profit (loss) before tax</b>		<b>(2,994,317)</b>	<b>884,568</b>
Tax expense	39	(487,145)	(623,247)
<b>Profit (loss) after tax</b>		<b>(3,481,462)</b>	<b>261,321</b>
Interest expense on non-controlling interest	40	(997,902)	(1,159,161)
Loss of the Group		(4,479,364)	(897,840)
<b>Other comprehensive income</b>			
Valuation reserve of investment		8,381,395	97,618
<b>Total other comprehensive income</b>		<b>3,902,031</b>	<b>(800,222)</b>

The Consolidated statement of comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 47.

## Consolidated statement of changes in equity

In thousand MNT	Percentage of parent company owners										
	Equity	Treasury share	Share premium	Valuation reserve of investment	Asset revaluation surplus	Special reserve	Other components of equity	Retained earnings	Total	Non-controlling interest	Total equity
Balance 1 January 2019	1,879,653	(441,474)	2,689,664	-	627	21,110	13,799	27,120,260	31,283,639	4,112,841	35,396,480
Net profit (loss) for the year	-	-	-	-	-	-	-	(897,840)	(897,840)	1,159,161	261,321
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-
Change in equity	26,710,682	(10,948,494)	(2,689,664)	-	-	4,611	-	56,208	13,133,343	1,558,703	14,692,046
Dividends	-	-	-	-	-	-	-	-	-	-	-
Realized revaluation surplus	-	-	-	97,618	137	-	-	-	97,755	-	97,755
Balance 31 December 2019	28,590,335	(11,389,968)	-	97,618	764	25,721	13,799	26,278,628	43,616,897	6,830,705	50,447,602
Changes in accounting policies and corrections of errors	-	-	-	-	-	-	-	(24,203,328)	(24,203,328)	-	(24,203,328)
Adjusted balance	28,590,335	(11,389,968)	-	97,618	764	25,721	13,799	2,075,300	19,413,569	6,830,705	26,244,274
Net profit (loss) for the year	-	-	-	-	-	-	-	(4,479,364)	(4,479,364)	997,902	(3,481,462)
Change in equity	-	3,879,933	(4,574,947)	-	-	(25,721)	7,255,322	9,183,563	15,718,150	(98,345)	15,619,805
Realized revaluation surplus	-	-	-	10,347,761	794,028	-	-	-	11,141,789	-	11,141,789
Balance 31 December 2020	28,590,335	(7,510,035)	(4,574,947)	10,445,379	794,792	-	7,269,121	6,779,499	41,794,144	7,730,262	49,524,406

The Consolidated statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 47.

# Consolidated statement of cash flows

In thousand MNT	2020	2019
<b>Cash flows from operating activities</b>		
<b>Total cash inflow</b>	<b>29,200,243</b>	<b>24,377,247</b>
Proceeds from sales of goods, provision of services	28,178,763	18,631,016
Proceeds from insurance indemnification	100,828	1,332
Other cash inflow	920,652	5,744,899
<b>Total cash outflow</b>	<b>(22,810,653)</b>	<b>(26,527,597)</b>
Paid to employees	(3,050,387)	(2,906,731)
Paid to social insurance administration	(416,349)	(755,690)
Acquisition of inventory	(172,369)	(245,104)
Paid for utilities	(661,958)	(460,787)
Paid for fuel, transportation, spare parts	(155,298)	(106,888)
Interest paid	(2,490,227)	(1,703,707)
Paid to taxation department	(1,403,550)	(1,066,522)
Insurance premium	(37,085)	(74,448)
Other cash outflow	(14,423,430)	(19,207,720)
<b>Net cash flow from operating activities</b>	<b>6,389,590</b>	<b>(2,150,350)</b>
<b>Cash flow from investing activities</b>		
<b>Total cash inflow</b>	<b>53,938,109</b>	<b>44,465,478</b>
Proceeds from disposal of property and equipment	153,420	345,752
Proceeds from sale of investment	5,268,059	5,923,573
Loan issued to other, repayment of cash advance	46,333,056	32,984,804
Interest received	1,327,301	4,705,150
Dividends received	143,468	506,199
Other cash inflow	712,805	-
	153,420	345,752

## Consolidated statement of cash flows (continued)

In thousand MNT	2020	2019
<b>Total cash outflow</b>	<b>(61,452,337)</b>	<b>(51,366,995)</b>
Acquisition of property and equipment	(752,098)	(795,720)
Acquisition of intangible assets	(32,100)	(32,037)
Acquisition of investments	(8,862,029)	(10,241,285)
Acquisition of other long-term assets	(170,000)	-
Loan issued; advance given to other	(51,636,110)	(40,297,953)
<b>Net cash flow from investing activities</b>	<b>(7,514,228)</b>	<b>(6,901,517)</b>
<b>Cash flow from financing activities</b>		
<b>Total cash inflow</b>	<b>14,357,079</b>	<b>18,634,463</b>
Received from loan, securities issued	5,976,613	3,369,143
Received from issuance of share and other equity securities	7,930,660	14,945,655
Other cash inflow	449,806	319,665
<b>Total cash outflow</b>	<b>(8,395,449)</b>	<b>(8,986,129)</b>
Loan, securities payments	(2,147,545)	(8,418,282)
Finance lease payable	(224,543)	-
Repurchase of shares	(2,987,546)	-
Dividends paid	(1,533,276)	(567,847)
Other cash outflow	(1,502,539)	-
<b>Net cash flow from financing activities</b>	<b>5,961,630</b>	<b>9,648,334</b>
Foreign exchange difference	5,776	-
<b>Net total cash flow</b>	<b>4,842,768</b>	<b>596,467</b>
<b>Balance cash and cash equivalents at the beginning of year</b>	<b>11,209,449</b>	<b>10,612,982</b>
<b>Balance cash and cash equivalents at the end of year</b>	<b>16,052,217</b>	<b>11,209,449</b>

The Consolidated statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 47.