SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2016

/in accordance with IFRS/

ARD FINANCIAL GROUP

Closed Joint Stock Company

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CORPORATE INFORMATION

Incorporation decision	Ard Financial Group LLC was initially incorporated as "EIT" Limited Liability Company in accordance with the Shareholders Resolution dated 10 October 2005. As resolved by the Board of Directors' Resolution dated 8 April 2014, the Company's name was changed from EIT LLC to "Ard Financial Group" LLC and was re-registered to the State Registration Office on 26 June 2014. According to the Shareholders' Resolution dated 3 December 2014, the Company became Closed Joint Stock Company and was re-registered to the State Registration Office on 23 November 2015.
Certificate and special license	Ard Financial Group Closed JSC was granted the State Registration Certificate No.9011036140 with registration No.5024145.
Shareholders	MTND LLC 10.86 % Batkhishig.H 9.83 % Luna and Luna LLC 8.44% Ventures One 7.58 % Bruno Raschle 7.57 % Ganhuyag.Ch 6.58% Invester Nation JSC 6.14% Ard Securities SC LLC 6.02% Inter Group International LLC 5.34% Mongolyn Alt LLC 5.08%
Board of Directors	Oyungerel.J, Chairman of the Board of Directors Ganhuyag.Ch, Member of the Board of Directors Odbayar.O, Member of the Board of Directors Ariuntugs.Ts, Member of the Board of Directors Soronzonbold.L, Member of the Board of Directors Bruno Raschle, Member of the Board of Directors Bayarjargal.V, Member of the Board of Directors Batbayar.P, Member of the Board of Directors Tsogbadrakh.G, Member of the Board of Directors Anthony Hobrow, Member of the Board of Directors
Executive Management	Ganhuyag.Ch, Executive Director
Permanent address	**Ard Financial Group Closed JSC** Level 2, Ungut Khevlel LLC's Building Sukhbaatar District, Khoroo-8, Ulaanbaatar, Mongolia
Auditor	**BDO Audit LLC** Room 1502, Level 15, Union Building - B, Unesco Street, Narnii Zam-62, Sukhbaatar district, Khoroo-1, Ulaanbaatar, Mongolia

Statement of Management's Responsibility for the preparation and approval of separate financial statements for the year ended 31 December 2016

The following statement, which should be read in conjunction with the independent auditor's responsibilities stated in the independent auditor's report is made with a view to distinguishing the respective responsibilities of management and those of the independent auditors in relation to the separate financial statements of Ard Financial Group Closed JSC ("Company") for the year ended 31 December 2016.

We, the management of Ard Financial Group Closed JSC, are responsible for the preparation of the financial statements that presents fairly, in accordance with the International Accounting Standards 27, *Separate Financial Statements* ("IAS 27"). We acknowledge our responsibilities related to the statements above and we confirm that we have prepared these financial statements fairly in accordance with IAS 27 and accounting law, regulations and guidelines that are effective in Mongolia and have fully disclosed all transactions fairly during the reporting period.

In preparing these separate financial statements, the Management is responsible for:

- Selecting suitable accounting principles and applying consistently;
- Making judgments and estimates that are reasonable and prudent;
- Complying with IAS 27 and stating whether any additional disclosures and explanations for matters that departed from IAS 27;
- Preparing the financial statements on a going concern basis, unless it is inappropriate to assume that the Company will continue in business for the foreseeable future.

The Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls throughout the Company;
- Representing the Company's financial position fairly and prudently and maintaining statutory accounting records that assure the separate financial statements of the Company to be prepared in accordance with the IAS 27;
- Abiding by the illustrated accounting regulations and guidelines issued by the Ministry of Finance of Mongolia and the Financial Regulatory Commission and other applicable laws that are effective in Mongolia;
- Taking such steps as are reasonably available to them to safeguard the assets of the Company; and
- Detecting and preventing fraud and other irregularities.

The separate financial statements of "Ard Financial Group" Closed JSC for the year ended 31 December 2016 were authorised for issuance by the Company management.

Ganhuyag.Ch	**Oyun-Erdene.T**
Executive Director	*Chief Accountant*

INDEPENDENT AUDITOR'S REPORT

To the shareholders of "ARD FINANCIAL GROUP" Closed JSC

Report on the Audit of the Separate Financial Statements

Opinion

We have audited the financial statements of "Ard Financial Group" Closed JSC (the Company), which comprise:

- the statement of financial position as of December 31, 2016;
- the statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended; and
- notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying financial statements present fairly, in all material respects, the financial position of "Ard Financial Group" Closed JSC as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Accounting Standards 27, *Separate Financial Statements*.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the 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 judgement, were of most significance in our audit of the 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 MATTER	AUDIT RESPONSE
1 Fair value calculation of financial assets where gain or loss is recognized in other comprehensive income	
The Company recognizes its investments in subsidiaries (in shares) in accordance with IFRS 9, *Financial Instruments*. According to this standard, changes in fair value during the year are recognized in other comprehensive income. The fair value of the subsidiaries' shares were estimated by Ard Securities SC LLC during the year. The total fair value of the Company's investments in subsidiaries' shares as at 31 December 2016 is approximately MNT 3 billion. We have determined the management's estimation of fair value as key audit matter due to its high level of estimation uncertainty. Please refer to Note 17 of the financial statements for more details.	We performed following procedures in relation to the management's estimation of fair value: • Evaluated the management valuer's capability, qualification and objectivity. • We assessed the relationship between the valuation method and the key assumptions used based on our knowledge and skills. • We selected samples to review accuracy and relevance of data used in valuation. We have reached a conclusion that key assumptions are supported by relevant evidence and the fair value and amortisation rates approximate with our assumptions. Please refer to Note 17 of the financial statements for more details.

KEY AUDIT MATTER	AUDIT RESPONSE
2 Material non-monetary transactions	
The Company sold its investment in an entity to four shareholders of that entity in 2016. The consideration received for the transaction comprises of share exchange of Ard Financial Group owned by those shareholders and exchange of financial instruments and assets. Material non-monetary transactions were determined as key audit matter because the value of tangible assets and financial instruments were recognized in the financial statements at the transaction value. Please refer to Note 27 of the financial statements for more details.	We performed following procedures in relation to material non-monetary transactions: • Inquired whether buyer and the seller participated in the transaction determined the value of sold assets and instruments objectively • Investigated whether the price of items received in non-monetary basis approximates the average market price of an identical assets. • Analysed whether financial instruments issued for payment were measured at fair value. • Ensured that there was no pressure on buyers and sellers to participate in the transaction. As a result, we have concluded that abovementioned transaction is supported by relevant evidence.

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 separate financial statements and our auditor's report thereon.

Our opinion on the 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 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 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 Board of Directors for the Separate Financial Statements

Management is responsible for the preparation and fair presentation of the separate 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 financial statements, management is responsible for assessing 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 Company or to cease operations, or has no realistic alternative but to do so.

Board of Directors are responsible for overseeing the Company's financial reporting process.

Auditor's responsibility for the Audit of Separate 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.

- Identify and assess the risks of material misstatement of the 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Auditor’s responsibility for the Audit of Separate Financial Statements (continued)

- 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 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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

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Bayanmunkh.G **Date : ______________________________**

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UNESCO Street, Narnii zam-62
Sukhbaatar District-1, Ulaanbaatar
Mongolia

ARD FINANCIAL GROUP
Closed Joint Stock Company

SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2016

	Notes	2016 MNT'000	Revised 2015 MNT'000
Revenue from operating activities	5	11,795,101	11,831,372
Carrying amount of investments	6	(10,013,092)	(11,684,775)
Gross profit/ (loss)		**1,782,009**	**146,597**
General administrative expenses	7	(1,121,650)	(880,138)
Employee related expenses	8	(564,233)	(245,996)
Operating profit /(loss)		**96,126**	**(979,537)**
Non-operating income	9	166,394	131,076
Net finance income	10	842,420	222,394
Other losses		(258,912)	(10,000)
Profit / (loss) before tax		**846,028**	**(636,067)**
Income tax expense	11	(100,042)	(53,575)
Net profit / (loss) for the year		**745,986**	**(689,642)**
Other comprehensive income			
Items not be reclassified to profit or loss:			
Gain on changes in fair value of investments	22	3,010,452	-
Deferred tax expenses	22	(302,613)	-
Total comprehensive profit / (loss)		**3,453,825**	**(689,642)**
Earnings/(loss) per share-MNT			
Basic earnings/(loss) per share	12	**44.05**	**(40.78)**

The accompanying notes set out on pages 13 to 55 form an integral part of these separate financial statements.

ARD FINANCIAL GROUP
Closed Joint Stock Company

SEPARATE STATEMENT OF FINANCIAL POSITION (CONTINUED)
For the year ended 31 December 2016

	Notes	31 December 2016 MNT'000	Revised 31 December 2015 MNT'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	676,749	862,458
Intangible assets	14	17,561	-
Long-term loans receivable	16	5,151,485	1,496,985
Investment property		-	675,148
Equity Instruments	17	25,561,668	20,779,327
Total non-current assets		**31,407,463**	**23,813,918**
Current assets			
Short-term loans receivable	18	159,298	1,828,751
Prepaid expenses and prepayments	19	179,439	127,526
Assets held-for-sale	15	3,000,000	-
Inventory		31,719	20,151
Short-term investments		49,791	-
Trade and other receivables	20	4,398,467	12,776,819
Cash and cash equivalents	27	166,192	1,328,120
Total current assets		**7,984,906**	**16,081,367**
TOTAL ASSETS		**39,392,369**	**39,895,285**

The accompanying notes set out on pages 13 to 55 form an integral part of these separate financial statements.

SEPARATE STATEMENT OF FINANCIAL POSITION (CONTINUED)
For the year ended 31 December 2016

	Notes	31 December 2016 MNT'000	Revised 31 December 2015 MNT'000
EQUITY AND LIABILITIES			
Equity			
Share capital	21	1,879,653	1,879,653
Treasury shares	21	(160,216)	(160,216)
Paid-up capital from treasury shares		(512,084)	(512,084)
Paid-up capital		10,441,144	10,441,144
Retained earnings		23,075,832	22,343,804
Fair value reserve	22	2,707,839	-
Other equity instruments	23	13,799	13,799
Total equity		**37,445,967**	**34,006,100**
Liabilities			
Non-current liabilities			
Deferred tax liabilities	24	352,512	-
Total non-current liabilities		**352,512**	**-**
Current liabilities			
Short-term loans	25	742,335	-
Trade and other payables	26	817,703	5,844,769
Income tax payable		33,852	44,416
Total current liabilities		**1,593,890**	**5,889,185**
Total liabilities		**1,946,402**	**5,889,185**
TOTAL EQUITY AND LIABILITIES		**39,392,369**	**39,895,285**

The accompanying notes set out on pages 13 to 55 form an integral part of these separate financial statements.

ARD FINANCIAL GROUP
Closed Joint Stock Company

SEPARATE STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2016

	Share Capital	Treasury shares	Paid-up capital from treasury shares	Paid-up capital	Fair value reserve	Retained earnings	Other equity instrument	TOTAL
	MNT'000	MNT'000	MNT'000	MNT'000	MNT'000	MNT'000	MNT'000	MNT'000
Notes	21	21			22		23	
Balance at 1 January 2015	**1,833,551**	**(154,018)**	**-**	**9,298,761**	**6,225,670**	**16,720,433**	**13,799**	**33,938,196**
Error adjustments	**-**	**-**	**-**	**-**	**(6,225,670)**	**6,313,013**	**-**	**87,343**
Adjusted balance at 1 Jan 2015	1,833,551	(154,018)	-	9,298,761	-	23,033,446	13,799	**34,025,539**
Share repurchase	-	(36,577)	(512,084)	-	-	-	-	**(548,661)**
Treasury shares issued	46,102	30,379	-	1,142,383	-	-	-	**1,218,864**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**(689,642)**	**-**	**(689,642)**
Balance at 31 December 2015	**1,879,653**	**(160,216)**	**(512,084)**	**10,441,144**	**-**	**22,343,804**	**13,799**	**34,006,100**
Fair value reserve	-	-	-	-	2,707,839	-	-	**2,707,839**
Profit for the year	-	-	-	-	-	745,986	-	**745,986**
Error	-	-	-	-	-	(13,958)	-	**(13,958)**
Balance at 31 December 2016	**1,879,653**	**(160,216)**	**(512,084)**	**10,441,144**	**2,707,839**	**23,075,832**	**13,799**	**37,445,967**

The accompanying notes set out on pages 13 to 55 form an integral part of these separate financial statements.

SEPARATE STATEMENT OF CASH FLOWS (CONTINUED)
For the year ended 31 December 2016

		2016 MNT'000	Revised 2015 MNT'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit/(loss) before taxation		**846,028**	**(636,067)**
Adjustments:			
Depreciation expense	13	141,598	123,773
Interest income		(478,909)	(41,103)
Interest expense		107,809	-
Gain on foreign exchange		(89,186)	(2,320)
Gain on sale of PPE		(1,490)	
Disposal of assets		-	10,000
Gain on sale of investments		-	(675,835)
Operating profit/(loss) before changes in working capital		**525,850**	**(1,221,552)**
Increase in inventory		(26,163)	(18,848)
(Increase)/decrease in prepayments and prepaid expenses		74,403	(56,260)
(Increase)/decrease in trade and other receivables		10,805,792	(13,370,553)
Increase/(decrease) in trade and other payables		(5,750,478)	13,358,706
Cash flows from/(used in) operating activities		**5,629,404**	**(1,308,507)**
Interest received		478,909	41,103
Income tax paid		(57,945)	(291,000)
Interest paid in cash		(79,759)	-
Net cash flows from/(used in) operating activities		**5,970,609**	**(1,558,404)**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of property, plant and equipment		(10,475)	(374,930)
Acquisition of intangible assets		(15,386)	-
Sale of equity investments		-	4,980,659
Sale of investment in debt securities		-	45,000
Sale of marketable securities		-	22,760
Acquisition of equity investments		(5,021,643)	(144,661)
Loans provided		(4,638,553)	(2,442,622)
Repayment of loans provided		1,781,523	602,848
Net cash flows generated from/(used in) investing activities		**(7,904,534)**	**2,689,054**

SEPARATE STATEMENT OF CASH FLOWS (CONTINUED)
For the year ended 31 December 2016

		2016 MNT'000	Revised 2015 MNT'000
CASH FLOWS FROM FINANCING ACTIVITIES:			
Loans received		1,760,000	
Repayment of loans received		(1,018,271)	(211,000)
Net cash flows from/(used in) financing activities:		**741,729**	**(211,000)**
Net increase /(decrease)in cash and cash equivalents		**(1,161,928)**	**919,650**
Effect of foreign exchange difference of cash and cash equivalents		30,268	-
Cash and cash equivalents at the beginning of the year	27	**1,328,120**	**408,470**
Cash and cash equivalents at the end of the year	27	**166,192**	**1,328,120**

Please see Note 27 for more details about significant non-cash transactions.

1. REPORTING ENTITY

"Ard Financial Group" Closed JSC was incorporated as a Limited Liability Company in accordance with the shareholders' resolution dated 10 October 2005 under the name "EIT" LLC.

The Company was registered to the State Registration Office of Mongolia on the 18th of October 2005 and granted the State Registration Certificate No. 9011036140 with registration No.5024145.

In accordance with the Board of Director's Resolution dated 8 April 2014, the name "EIT" LLC was changed to "Ard Financial Group" LLC and was re-registered to the State Registration Office on 26 June of 2014.

The principle operating activities of the Company are business consulting and investment services. The Company made investments in entities listed in Note 17 which also included details of principal operating activities of those entities.

According to Shareholders Resolution dated 3 December 2014, the Company became Closed Joint Stock Company and was re-registered to the State Registration Office on 23 November 2015.

2. BASIS OF PREPARATION OF THE SEPARATE FINANCIAL STATEMENTS

These separate financial statements have been prepared in accordance with IAS 27, *Separate Financial Statements*. Investments in subsidiaries were measured and recognised at fair value. The principal accounting policies adopted in preparation of the separate financial statements are set out in Note 29. These accounting policies had been consistently applied, unless otherwise stated.

The Company's functional and presentation currency is the Mongolian National Tugrugs. These financial statements expressed in Tugrugs ("MNT") have been presented in MNT rounded to the nearest thousand.

These separate financial statements have been prepared in accordance with IAS 27, Separate Financial Statements issued by the International Accounting Standards Committee (IASB), and interpretations issued by the IFRS Interpretations Committee of IASB.

The preparation of separate financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires Company management to exercise judgment in applying the Company's accounting policies.

Basis of measurement

The separate financial statements have been prepared on a historical cost basis, except for following items required exclusively by IFRS:

- Financial instrument – fair value through profit or loss;
- Net defined benefit liability;
- Investment property- fair value
- Contigent liability

Going concern assumption

These financial statements for the year have been prepared on a going concern basis.

2. BASIS OF PREPARATION OF THE SEPARATE FINANCIAL STATEMENTS (continued)

a) New standards, interpretations, and amendments effective for annual periods beginning on or after 1 January 2016

The following new standards, amendments and interpretations, which have not been applied in these financial statements, that will or may have an effect on the Company's future financial statements are:

IFRS	New IFRSs for 31 December 2016 year ends- IFRSs, IFRICs and Amendments	Effective date
Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investment in Associates and Joint ventures	(i) The amendments clarify that so long as the entity's ultimate (or intermediate) parent produces financial statements that are in compliance with IFRS 10 (including an investment entity that accounts for its interests in all of its subsidiaries at fair value rather than consolidating them), the exemption is available to the intermediate parent entity from presenting its own consolidated financial statements. (ii) The amendments clarify that an investment entity parent consolidates a subsidiary only when - The subsidiary is not itself an investment entity - The subsidiary's main purpose is to provide services that relate to the investment entity's investment activities (iii) The amendments clarify that an investment entity that prepares financial statements in which all of its subsidiaries are measured at fair value through profit or loss is required to present the disclosures to investment entities as required by IFRS12 (iv) The amendments clarify that for an entity that is not itself an investment entity but has an interest in an associate or joint venture that is an investment entity, the non-investment entity may, when applying the equity method, retain the fair value measurement applied by the investment entity associate or joint venture to account for its own interests in its subsidiaries.	Mandatory adoption for periods begining on or after 1 January 2016. Early adoption permitted.
Amendments to IFRS 11 Joint Arrangements	The amendments require an entity to apply all of the principles of IFRS 3 *Business Combinations* when it acquires an interest in a joint operation that constitutes a business as defined by IFRS 3. The amendments also include two new illustrative examples.	Mandatory adoption for periods begining on or after 1 January 2016. Early adoption permitted.

2. BASIS OF PREPARATION OF THE SEPARATE FINANCIAL STATEMENTS (continued)

a) New standards, interpretations, and amendments effective for annual periods beginning on or after 1 January 2016

IFRS	New IFRSs for 31 December 2016 year ends-IFRSs, IFRICs and Amendments	Effective date
IFRS 14 regulatory Deferral Accounts	The scope of IFRS 14 is narrow, with this extending to cover only those enitites that: - Are first time adopters of IFRS - Conduct rate regulated activities - Recognize associated assets and/or liabilities in accordance with their current national GAAP. Entities within the scope of IFRS 14 would be afforded an option to apply their previous local GAAP accounting policies for the recognition, measurement and impairment of assets and liabilities arising from rate regulation, which would be termed regulatory deferral account balances. Any regulatory deferral account balances, and their associated effect on profit or loss, would be recognised and presented separately from other items in the primary financial statements.	Mandatory adoption for periods begining on or after 1 January 2016. Early adoption permitted.
Amendments to IAS 1 Presentation of Financial Statements	*Disclosure Initiative* The amendments made to IAS 1 include: - Materiality - Line items in primary financial statements - Notes to the financial statements - Accounting policies In addition, the following amendments to IAS 1were made which arose from a submission received by the IFRS Interpretations Committee: - Equity accounted investments	Mandatory adoption for periods begining on or after 1 January 2016. Early adoption permitted.
Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets	*Clarification of Acceptable Methods of Depreciation and Amortization* IAS 16 has been amended to prohibit use of revenue-based methods of depreciation for items of property, plant and equipment. IAS 38 has been amended to incorporate a rebuttable presumption that amortization based on revenue is not appropriate. The presumption can be rebutted if either: - The intangible asset is expressed as measure of revenue; or - Revenue and the consumption of the economic benefits of the intangible assets are highly correlated.	Mandatory adoption for periods begining on or after 1 January 2016. Early adoption permitted.

2. BASIS OF PREPARATION OF THE SEPARATE FINANCIAL STATEMENTS (continued)

a) New standards, interpretations, and amendments effective for annual periods beginning on or after 1 January 2016

IFRS	New IFRSs for 31 December 2016 year ends-IFRSs, IFRICs and Amendments	Effective date
Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture	*Agriculture: Bearer Plants* The amendments extend the scope of IAS 16 to include bearer plants and define a bearer plant as a living plant that: - Is used in the production process of agricultural produce - Is expected to bear produce for more than one period; and - Has a remote likelihood of being sold The changes made result in bearer plants being accounted for in accordance with IAS 16 using either: - Cost model, or - The revaluation model Bearer plants are no longer within the scope of IAS41. However, the agricultural produce of bearer plants remains within the scope of IAS 41. The amendments include the following transitional reliefs for the purposes of first time application: - Deemed cost exemption - Disclosures	Mandatory adoption for periods begining on or after 1 January 2016. Early adoption permitted.
Amendments to IAS 27 Separate Financial Statements	*Equity Method in Separate Financial Statements* The amendments include the introduction of an option for an entity to account for its investments in subsidiaries, joint ventures, and associates using the equity method in its separate financial statements. The accounting approach that is selected is required to be applied for each category of investment. A consequential amendment was also made to IAS 28 Investment in Associates and Joint Ventures, to avoid a potential conflict with IFRS 10 Consolidated Financial Statements for partial sell downs	Mandatory adoption for periods begining on or after 1 January 2016. Early adoption permitted. EU endorsement status: endorsed on 18 December 2015.
IFRS 5 Non-current assets Held for Sale and Discontinued Operations (amended as part of Annual Improvements to IFRSs 2012-2014 cycle)	*Changes in methods of disposal* The amendment clarifies that the reclassification of an asset or disposal group from being held for sale to being held for distribution to owners, or vice versa is considered to be a continuation of the original plan of disposal.	Mandatory adoption for periods begining on or after 1 January 2016. Early adoption permitted. EU endorsement status: endorsed on 15 December 2015.

2. BASIS OF PREPARATION OF THE SEPARATE FINANCIAL STATEMENTS (continued)

a) New standards, interpretations, and amendments effective for annual periods beginning on or after 1 January 2016

IFRS	New IFRSs for 31 December 2016 year ends-IFRSs, IFRICs and Amendments	Effective date
IFRS 7 Financial instruments: Disclosures (amended as part of Annual Improvements to IFRSs 2012-2014 cycle)	The amendments to IFRS 7 dealt with two aspects: servicing of contracts and the applicability in interim financial statements of the offsetting amendments made to IFRS 7 in December 2011. *(i) Servicing contracts* The IASB clarified the circumstances in which an entity has continuing involvement from the servicing of a transferred asset. The amendment is required to be applied retrospectively in accordance with IAS 8. However, the amendment does not need to be applied for any period beginning before the annual period in which the entity first applies the amendments. *(ii) Applicability of offsetting in condensed interim financial statements* A further amendment to IFRS 7 has clarified that the application of the amendment Offsetting Financial Assets and Financial Liabilities issued in December 2011 is not explicitly required for all interim periods.	Mandatory adoption for periods begining on or after 1 January 2016. Early adoption permitted. EU endorsement status: endorsed on 15 December 2015.
IAS 19 Employee benefits (amended as part of Annual Improvements to IFRSs 2012-2014 Cycle)	*Discount rate-regional market issue* The guidance in IAS 19 has been clarified and requires that high quality corporate bonds used to determine the discount rate for the accounting of employee benefits need to be denominated in the same currency as the related benefits that will be paid to the employee.	Mandatory adoption for periods begining on or after 1 January 2016. Early adoption permitted. EU endorsement status: endorsed on 15 December 2015.
Amendments to IAS 34 Interim Financial Reporting	*Disclosure of information 'elsewhere in the interim financial report'* IAS 34 requires certain disclosures to be presented in the notes to the interim financial report, unless they are presented elsewhere in the interim financial report (such as a front end management report). If the disclosures are presented 'elsewhere' in the interim financial report, such as in the management commentary or the risk report of an entity, a cross reference must be made from the notes to the interim financial statements to where the disclosures have been made.	Mandatory adoption for periods begining on or after 1 January 2016. Early adoption permitted. EU endorsement status: endorsed on 15 December 2015.

2. BASIS OF PREPARATION OF THE SEPARATE FINANCIAL STATEMENTS (continued)

b) New standards, interpretations, and amendments effective for annual periods beginning on or after 1 January 2017

The following new standards, amendments and interpretations, which have not been applied in these financial statements, that will or may have an effect on the Company's future financial statements are:

IFRS	New IFRSs for 31 December 2017 year ends-IFRSs, IFRICs and Amendments	Effective date
IFRS 9 (2014) Issued: July 2014	IFRS 9 Financial Instruments (2014) is the standard that replaces IAS 39 Financial Instruments: Recognition and Measurement. It incorporates the final requirements on all three phases of the financial instruments project – classification and measurement, impairment and hedge accounting. The Classification of financial assets are as follows: • Amortised cost; • Fair value through Other Comprehensive Income –FVTOCI • Fair value through Profit or Loss- FVTPL (residual caterogry) and • Fair Value through Other Comprehensive Income -FVTOCI (optional for some investments in equity insturments). The classification of financial liabilities are as follows: • Amortised cost • Fair value through Profit or Loss	Mandatory adoption for periods beginning on or after 1 January 2018. Early adoption permitted.
IFRS 15 Issued: May 2014	IFRS 15 Revenue from Contracts with Customers supersedes IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations (IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Trasfers of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services). The objective of this standard is that an entity recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or service. The standart requires the application of the following five steps: 1. Identify the contract 2. Identify the performance obligation(s) 3. Determine the transaction price 4. Allocate the transaction price to each performance obligation Recognise revenue when each performance obligation is satisfied.	Mandatory adoption for periods beginning on or after 1 January 2018. Early adoption permitted.

2. BASIS OF PREPARATION OF THE SEPARATE FINANCIAL STATEMENTS (continued)

b) New standards, interpretations, and amendments effective for annual periods beginning on or after 1 January 2017 9 (continued)

IFRS	New IFRSs for 31 December 2017 year ends-IFRSs, IFRICs and Amendments	Effective date
IFRS 15 Amendments Issued: April 2016	In September 2015, the IASB issued an amendment to IFRS 15 to defer its effective date by one year to 1 January 2018. Further, in April 2016, the IASB issued the following clarifications to the standard: -Identification of performance obligations -Principal vs agent considerations -Licensing agreements -Transitional relief	Mandatory adoption for periods beginning on or after 1 January 2018. Early adoption permitted.
IFRS 16 Issued: January 2016	IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of the Transactions Involving the Legal form of Lease. The major changes are lessees, with IFRS 16 setting out a single model for which eliminates the distinction between operating and finance leases, and results in the statement of financial position reflecting a 'right of use' asset and a corresponding liability for most lease contracts.	Mandatory adoption for periods beginning on or after 1 January 2019. Early adoption permitted, but only if IFRS 15 has also been adopted.
Amendment to IAS 7- Disclosure Initiative	These amendments aim to imprive disclosures about an entity's debt. Disclosures are required to enable users of financial statement to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non- cash changes. The reconciliation would include: • Opening balance • Movements in the period including: - Changes from financing cash flows - Changes arising from obtaining or losing control of subsidiaries or other businesses, - Other non-cash exchanges (e.g changes in foreign exchange rates, new finance leases and change in fair value), • Closing balance.	Mandatory adoption for periods beginning on or after 1 January 2017. Early adoption permitted
Amendment to IAS 12 Issued: January 2016	The amendment to IAS 12 clarifies the accounting for deferred tax assets related to debt instruments measured at fair value but are not deemed to be impaired. Deductible temporary differences arise from unrealized losses on debt instruments measured at fair value.	Mandatory adoption for periods beginning on or after 1 January 2017. Early adoption permitted

2. BASIS OF PREPARATION OF THE SEPARATE FINANCIAL STATEMENTS (continued)

b) New standards, interpretations, and amendments effective for annual periods beginning on or after 1 January 2017

IFRS	New IFRSs for 31 December 2017 year ends-IFRSs, IFRICs and Amendments	Effective date
Amendment to IAS 28 Issued: December 2016	IAS 28 permits an investment in an associate or joint venture to be measured at fair value through profit or loss, instead of the equity method being applied, if the investment is held directly or indirectly through a venture capital organization, unit trust or similar entities.	Mandatory adoption for periods beginning on or after 1 January 2018. Early adoption permitted
Amendment to IAS 40 Issued: December 2016	This amendment clarifies that a transfer of a property to, or from, investment property is made when, and only when, there is change in use. It also clarifies that the transfers included in IAS 40.57 are examples of evidence that may support a change in use and not the only possible circumstances in which there is a change in use.	Mandatory adoption for periods beginning on or after 1 January 2018. Early adoption permitted
IFRS 1 Amendment to IFRS Issued: December 2016	A number of short-term exemptions in IFRS 1 First Time Adoption of International Financial Reporting Standards were deleted. The relief provided by these exemptions were no longer applicable.	Mandatory adoption for periods beginning on or after 1 January 2018. Early adoption permitted.
IFRS 2 Amendment to IFRS 2 Issued: June 2016	These amendments address the classification and measurement of share-based payment transactions for a number of situations where existing guidance is not clear.	Mandatory adoption for periods beginning on or after 1 January 2018. Early adoption permitted.
Amendment to IFRS 4 Issued: September 2016	The amendment permits either the deferral of the adoption of IFRS 9 for entities whose predominant activity is issuing insurance contracts or an approach which moves the additional volatility created by having non-aligned effective dates from profit or loss to other comprehensive income.	Mandatory adoption for periods beginning on or after 1 January 2018. Early adoption permitted.
Amendments to IFRS 10 and IAS 28 Issued: September 2014	The amendments clarify the accounting for transactions where a parent loses control of a subsidiary, that does not constitute a business as defined in IFRS 3 Business Combinations, by selling all or part of its interest in that subsidiary to an associate or a joint venture that is accounted for using the equity method.	Mandatory effective date deferred indefinitely.
Amendment to IFRS 12 Issued: December 2016	The scope of IFRS 12 was clarified to make it clear that the disclosure requirements in this Standard, except for those paragraphs B10 - B16, apply to interests irrespective of whether they are classified as held for sale, as held for distribution to owners or as discontinued operations in accordance with IFRS 5.	Mandatory adoption for periods beginning on or after 1 January 2017. Early adoption permitted.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company makes certain estimates and assumptions regarding the future. Estimates and judgments are continually evaluated based on management's historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates and assumptions.

(a) Expected useful lives of depreciable assets

Management reviews the useful lives of depreciable assets including property, plant and equipment and intangible assets at each reporting date based on the expected utility of the assets to the Company. Due to technical obsolescence, actual results may differ from estimates and assumptions. Detailed information on useful lives of property, plant and equipment is provided in Note 29.

(b) Deferred tax

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits. Deferred tax assets and liabilities are not measured at amortized cost. If actual results differ from estimated amount or estimation, adjustments will be made in future financial statements and it will have an effect on cash flows and operating results.

(c) Fair value measurement of financial instruments

When the fair value of financial assets and liabilities presented in the financial statements is not based on active market information, the fair value is determined using a number of valuation models covering various valuation methods and techniques. If possible, inputs from an observable market should be used for those models and techniques. If not, fair value should be determined using estimates. Credit risks, correlation and variances relating to inputs used in liquidity and valuation methods should be considered during the estimation process. Changes in assumptions of these factors affect when reporting the fair value of financial instruments in the statement of financial position and fair value level are disclosed in Note 4. If possible, valuation models are tested and confirmed using the price derived from observable information in current market for similar or identical instruments.

(d) Impairment

The carrying amounts of assets or cash-generating units are reviewed at each reporting date to determine whether there is any indication of impairment. An impairment loss is recognized for the amount by which an asset's or cash-generating unit's carrying amount exceeds its recoverable amount.

Fair value is the price that would be received to sell an asset in an orderly transaction between the market participants at the measurement date.

4. FINANCIAL INSTRUMENT - RISK MANAGEMENT

The Company is exposed through its operations to the following financial risks:

- Credit risk
- Fair value and interest rate risk
- Foreign exchange risk
- Other market risk
- Liquidity risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

(i) Key financial instruments

The key financial instruments used by the Company which may have exposure to risks are as follows:

- Trade and other receivables;
- Cash and cash equivalents;
- Loans receivables;
- Financial assets at fair value through profit or loss;
- Trade and other payables;
- Bank loan.

(ii) ***Financial instruments by category***

a. Financial assets

	Financial assets at fair value through profit or loss		**Loans and receivables**		**Available-for-sale**	
	2016 MNT'000	**2015 MNT'000**	**2016 MNT'000**	**2015 MNT'000**	**2016 MNT'000**	**2015 MNT'000**
Cash and cash equivalents	-	-	166,192	1,328,120	-	-
Trade and other receivables	-	-	4,398,372	12,703,891	-	-
Loans receivables	-	-	5,310,783	3,325,736	-	-
Equity instruments	25,561,668	20,779,327	-	-	-	-
Total financial assets	**25,561,668**	**20,779,327**	**9,875,347**	**17,357,747**	**-**	**-**

4. FINANCIAL INSTRUMENT – RISK MANAGEMENT (continued)

(ii) ***Financial instruments by category (continued)***

b. Financial liabilities

	Financial liabilities at fair value through profit or loss		Financial liabilities at amortized cost	
	2016 MNT'000	2015 MNT'000	2016 MNT'000	2015 MNT'000
Loans received from others	-	-	(742,335)	-
Trade and other payables	-	-	(766,981)	(5,834,657)
Total financial liabilities	**-**	**-**	**(1,509,316)**	**(5,834,657)**

(iii) ***Financial instruments not measured at fair value***

Financial instruments not measured at fair value includes cash and cash equivalents, trade and other receivables, trade and other payables and loans.

Short-term financial assets and liabilities (under one year) are recognized in the financial statements at value close to their fair value.

(iv) ***Financial instruments measured at fair value***

The fair value levels of financial instruments measured at fair value are shown below.

The fair value of financial instruments by their fair value levels as at 31 December 2016 is as follows. The Company purchased shares of Mongol Post JSC during the reporting period.

	Level 1 MNT'000	Level 2 MNT'000	Level 3 MNT'000	Total MNT'000
Financial assets				
Equity instruments	9,382,112	-	16,179,556	25,561,668
	9,382,112	**-**	**16,179,556**	**25,561,668**

The fair value of financial instruments by their fair value levels as at 31 December 2015 is as follows.

	Level 1 MNT'000	Level 2 MNT'000	Level 3 MNT'000	Total MNT'000
Financial assets				
Equity instruments	58,000		20,721,327	20,779,327
	58,000	**-**	**20,721,327**	**20,779,327**

4. FINANCIAL INSRUMENT – RISK MANAGEMENT (continued)

(v) ***Financial Instruments measured at fair value (continued)***

There were no transfers between the fair value levels other equity instruments than Mongol Post JSC during the period. Level 1 and 3 of the valuation methodology used in measuring the fair value of financial instruments and influential non-observable data and the relationship between the non-observable data and the fair value are shown in the following table.

Financial assets	**Valuation methods used**	**Influential non-observable data** *(Only Level 3)*	**The relationship between the main non-observable data and the fair value** *(Only Level 3)*
Nomiin Khishig LLC	Market price of shares	Business plan, and best use	Cash flows, discount rate, and risk level
Ard Credit NBFI LLC	Discounted free cash flow method	Business plan, and best use	Cash flows, discount rate, and risk level
Ard Daatgal LLC	Weighting by growth rate	Business plan, and best use	Cash flows, and growth rate
Ard Securities SC LLC	Discounted free cash flow method	Business plan, and best use	Cash flows, discount rate, and risk level

The fair value of financial instruments by their fair value levels 1 and 3 as at 31 December 2015 and 2016 are as follows:

	Fair value of equity investment MNT'000
At 01 January 15	**18,684,023**
Additions	
Disposal	(9,944,563)
At 31 December 15	**8,739,460**
Addition	-
Disposal	(7,901,526)
At 31 December 16	**837,934**

4. FINANCIAL INSTRUMENT - RISK MANAGEMENT (continued)

General objectives and processes

Management has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them.
The overall objective of the Management is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further information related to these policies is shown below:

a) Credit risk

The Company might be exposed to counterparty credit risk arising from a financial instrument failing to meet its contractual obligations and credit risk arising from sales on credit.

The main exposure to credit risk concentrates on trade and receivables balance of MNT 4,398 million (2015: MNT 12,743 million) and long and short-term loans receivable (Note 16 and 18) of MNT 5,310 million (2015: MNT 3,358 million). The credit risk arises from cash and cash equivalents.

b) Market risk

Market risks are external factors affecting the Company such as price fluctuations in the Stock Exchange, changes in foreign exchange rate, laws and regulations and tax policies.

Market risks generally arise from the use of financial instruments which bear interest, are available for sale and are generated in foreign currency. This is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in interest rate (interest rate risk), foreign currency rate (foreign currency risk) and/or other factors (other market rate risks).

i. Interest rate risk

Interest rate risk is the risk that the fair value or cash flows of financial instruments will fluctuate as a result of changes in market rates. The Company is not exposed to an interest rate risk.

ii. Foreign currency risk

Foreign currency risk arises from investments made, loans provided due to others, financing or loans received from financial institutions and purchases or sales denominated in a currency other than the functional currency (Tugrug). The main currency that could raise exposure to foreign currency risk is US dollars. The fluctuations of foreign currency affects the Company's cash flows and financial position.

The exchange rates used during the periods against MNT is shown below.

Currencies	Average rate		Closing rate	
	2016	2015	12/31/2016	12/31/2015
USD to MNT	2,144.84	1,970.31	2,489.53	1,995.98

4. FINANCIAL INSTRUMENT - RISK MANAGEMENT (continued)

ii. Foreign currency risk (continued)

The foreign currency risk as of 31 December 2015 and 2016 are shown below.

	Financial instruments expressed in MNT		Financial instruments expressed in USD		Total amount	
	2016	2015	2016	2015	2016	2015
	MNT'000	MNT'000	MNT'000	MNT'000	MNT'000	MNT'000
Cash and cash equivalents	146,637	98,324	19,555	1,229,796	166,192	1,328,120
Trade and other receivables	4,385,375	12,696,266	12,998	7,625	4,398,372	12,703,891
Loans receivable	1,839,179	915,000	3,471,605	2,410,736	5,310,783	3,325,736
Equity instruments	25,561,668	20,779,327	-	-	25,561,668	20,779,327
Total financial assets	**31,932,859**	**34,488,917**	**3,504,158**	**3,648,157**	**35,437,015**	**38,137,074**
Received loan from others	(742,335)	-	-	-	(742,335)	-
Trade and other payables	(766,981)	(5,834,657)	-	-	(766,981)	(5,834,657)
Total financial liabilities	**(1,509,316)**	**(5,834,657)**	**-**	**-**	**(1,509,316)**	**(5,834,657)**
Net financial assets	**30,423,543**	**28,654,260**	**3,504,158**	**3,648,157**	**33,927,699**	**32,302,417**

4. FINANCIAL INSTRUMENT - RISK MANAGEMENT (continued)

c) Liquidity risk

Liquidity risk arises from the Company's working capital, financial charges in loan instruments and repayment of principal loan amount. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due.

The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. In order to fulfill its objective, the Company should have sufficient cash on demand (or other agreed instruments) to meet expected obligations of at least 45 days.

Liquidity risk depends on the Company's ability to manage its cash flows. The Company prepares budgets for the year based on the valuation of needs and requirements of cash flows. The following table sets out the contractual maturities of financial liabilities as at 31 December of 2015 and 2016:

At 31 December 2016	**Up to 3 months MNT'000**	**3-12 months MNT'000**	**Total MNT'000**
Trade and other payables	(41,457)	(725,525)	(766,981)
Short-term loans	-	(742,335)	(742,335)
Total financial liabilities	**(41,457)**	**(1,467,860)**	**(1,509,316)**

At 31 December 2015	**Up to 3 months MNT'000**	**3-12 months MNT'000**	**Total MNT'000**
Trade and other payables	(5,604,735)	(229,922)	(5,834,657)
Total financial liabilities	**(5,604,735)**	**(229,922)**	**(5,834,657)**

5. OPERATING INCOME

	2016 MNT'000	2015 MNT'000
Management service income	122,500	109,170
Dividend income	-	218,366
Income from trading in the Stock Exchange	695,411	7,640
Proceeds from the sale of investments	10,977,190	11,496,196
	11,795,101	**11,831,372**

6. CARRYING AMOUNT OF INVESTMENTS

The amount represents the cost of sale of the Institute of Engineering and Technology LLC's 623,399 shares.

7. GENERAL AND ADMINISTRATIVE EXPENSES

	2016 MNT'000	2015 MNT'000
Rental expense	(266,505)	(286,773)
Utility expense	(61,236)	(19,470)
Business trip expense	(88,245)	(41,949)
Depreciation expense	(141,598)	(123,773)
Repair and maintenance expense	(20,720)	(5,400)
Advertising expenses	(135,270)	(109,182)
Postal and telecommunication expense	(22,179)	(15,401)
Stationary expense	(12,911)	(13,440)
Fuel expense	(23,231)	(15,270)
Professional service fee	(112,192)	(83,494)
Donation and special events	(153,668)	(147,207)
Service costs	-	(350)
Other expenses	(312)	(63)
Employee benefit expense	(73)	-
Business meeting expenses	(63,359)	-
Transportation expense	(2,980)	(2,789)
Cleaning materials	(2,792)	(1,512)
Supply materials - tea and other sundry items	(5,432)	(8,924)
Real estate tax	(3,136)	-
Motor vehicles tax	(3,742)	(2,663)
Amortization of LVFDI	-	(2,478)
Finance charges and commission fees	(2,069)	-
	(1,121,650)	**(880,138)**

8. EMPLOYEE RELATED EXPENSES

	2016 MNT'000	2015 MNT'000
Salaries and wages	(469,855)	(220,774)
Health and social insurance expense	(51,562)	(25,222)
Training expenses	(3,500)	-
Bonus and incentives	(39,316)	-
	(564,233)	**(245,996)**

9. NON-OPERATING INCOME/ (EXPENSES)

	2016 MNT'000	2015 MNT'000
Rental income	177,214	130,725
Other income	6,682	351
Other expenses	(17,502)	-
	166,394	**131,076**

10. FINANCE INCOME/ (COSTS) - NET

	2016 MNT'000	2015 MNT'000
Finance income		
Interest on current and savings accounts	20,117	7,161
Loan interest income	456,427	331,849
Bond interest income	-	8,023
Gain on foreign exchange	844,972	195,673
	1,321,516	**542,706**
Finance costs		
Interest expense	(115,560)	(77,656)
Finance fees and charges	-	(4,276)
Loss on foreign exchange	(363,536)	(233,087)
Trading gains or losses	-	(5,293)
	(479,096)	(320,312)
Net finance income	**842,420**	**222,394**

11. INCOME TAX EXPENSE

According to Mongolian Corporate Tax Law, the Company reports its tax by estimating effect of non-taxable income and non-deductible expenses and is obliged to pay the Corporate Income Tax ("CIT") at the rate of 10% of the portion of taxable profits up to MNT 3 billion and 25% of the portion of taxable profits above MNT 3 billion. Total income tax expense for the year consists of the sum of the current year tax expense and deferred tax expense.

	2016 MNT'000	2015 MNT'000
Profit before tax	**846,028**	**(636,067)**
Permanent tax differences		
Income taxable at special rate	(476,544)	(417,386)
Non-taxable income	-	(331,849)
Non-deductible expenses	156,768	380,294
Total permanent tax differences	**(319,776)**	**(368,941)**
Total profit before tax and permanent tax	**526,252**	**(1,005,008)**
Temporary tax differences		
Taxable temporary differences	(498,987)	-
Total temporary tax differences	**(498,987)**	**-**
Taxable income/(loss) at common rate	**27,265**	**(1,005,008)**
Tax percentage	**10%-25%**	**10%-25%**
Tax at normal rate	(2,725)	-
Other deductible income	236	-
Tax exempt income	-	(11,837)
Tax at special rate	(47,654)	(41,739)
Deferred tax expenses	(49,899)	-
Total tax expense for the year	**(100,042)**	**(53,575)**

12. EARNING/ (LOSS) PER SHARE

	2016 MNT'000	2015 MNT'000
Net profit/(loss) for the year	**745,986**	**(689,642)**
Weighted average number of shares	16,911,786	16,911,786
Basic earnings/(loss) per share-MNT	**44**	**(41)**

13. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures MNT'000	Computer and its accessories MNT'000	Motor vehicles MNT'000	Lease improvement MNT'000	Total MNT'000
Cost					
Balance at 1 January 2015	**39,481**	**24,142**	**160,000**	**470,374**	**693,997**
Acquisition	12,398	174	322,728	161,142	**496,442**
Reclassified as an investment property	-	-	-	-	**-**
Write-off	-	-	(170,000)	-	**(170,000)**
Balance at 31 December 2015	**51,879**	**24,316**	**312,728**	**631,516**	**1,020,439**
Acquisition	16,773	6,636	-	64,886	**88,295**
Reclassified as an investment property	-	-	-	-	**-**
Write-off	-	-	(180,010)	-	**(180,010)**
Balance at 31 December 2016	**68,652**	**30,952**	**132,718**	**696,402**	**928,724**
Accumulated depreciation					
Balance at 1 January 2015	**(6,035)**	**(14,841)**	**(13,333)**	**-**	**(34,209)**
Charge for the year	(4,284)	(4,413)	(21,000)	(94,075)	**(123,772)**
Reclassified as an investment property	-	-	-	-	**-**
Write-off	-	-	-	-	**-**
Balance at 31 December 2015	**(10,319)**	**(19,254)**	**(34,333)**	**(94,075)**	**(157,981)**
Charge for the year	(10,144)	(4,503)	(16,106)	(94,075)	**(124,828)**
Write-off	-	-	30,834	-	**30,834**
Balance at 31 December 2016	**(20,463)**	**(23,757)**	**(19,605)**	**(188,150)**	**(251,975)**
NET BOOK VALUE					
Balance at 1 January 2015	**33,446**	**9,301**	**146,667**	**470,374**	**659,788**
Balance at 31 December 2015	**41,560**	**5,062**	**278,395**	**537,441**	**862,458**
Balance at 31 December 2016	**48,188**	**7,195**	**113,113**	**508,253**	**676,749**

14. INTANGIBLE ASSETS

	31 Dec 16 MNT'000	31 Dec 15 MNT'000
Cost		
As at 1 January 2016	-	
Addition	19,736	
Disposal	-	
At 31 December 16	**19,736**	**-**
Amortization		
As at 1 January 2016	-	
Addition	(2,175)	
Disposal	-	
As at 31 December 2016	**(2,175)**	**-**
Book value	**17,561**	**-**

15. ASSETS HELD-FOR-SALE

General information

The amount represents the value of three different 3-storey residential houses with door number 6 of B block, and 5 and 6 of C block each, located in Khiimori Town, 17081 Dunjingarav Street, Khoroo-11, Khan-Uul District, Ulaanbaatar; and three garages. The building features concrete base, carcass structure, light concrete walls and floated ferroconcrete pavements . The Company is planning to sell those properties within 2017.

Fair value measurement

The fair value of asset is a level 3 of fair value hierarchy. When determining the fair value of assets held-for-sale, the Company used the market approach and benchmarked with identical properties located in Khan-Uul district.

16. LONG-TERM LOANS RECEIVABLE

	Ard Daatgal LLC (i) MNT'000	Erdene togtokh (ii) MNT'000	IET LLC (MNT) (iii) MNT'000	IET LLC (USD) (iii) MNT'000	BSP LLC (iv) MNT'000	Solargy LLC (v) MNT'000	TOTAL MNT'000
As at 31 December 14	**-**	**-**	**-**	**-**	**10,000**	**46,791**	**56,791**
Loans provided	-	1,446,456	-	-	-	-	1,446,456
Repayment of loan	-	-	-	-	(10,000)	(46,791)	(56,791)
Foreign exchange difference	-	50,529	-	-	-	-	50,529
As at 31 December 15	**-**	**1,496,985**	**-**	**-**	**-**	**-**	**1,496,985**
Loans provided	173,013	-	**1,579,541**	1,579,540	-	-	3,332,094
Payment of loans	(60,227)	-	-	-	-	-	(60,227)
Foreign exchange difference	-	370,163	-	12,470	-	-	382,633
As at 31 December 16	**112,787**	**1,867,148**	**1,579,541**	**1,592,010**	**-**	**-**	**5,151,485**

16. LONG-TERM LOANS RECEIVABLE (continued)

(I) Ard Financial Group JSC made an Agreement to Sell Motor Vehicle with Ard Daatgal LLC on 30 September 2016 to sell a motor vehicle with total value of MNT 173 million at interest rate of 1 percent per month fpr 3.5 years.

(II) Ard Financial Group JSC entered into a Loan Agreement with Erdenetogtokh.P on 26 May 2015 to provide business loan of USD 750,000 at interest rate of 1 percent per 30 days for 60-month period.

(iii) The Company made two loan agreements with IET LLC on 6 December 2016 to lend MNT 1,579,541,250 at interest rate of 12 percent per annum, and to lend USD 639,482 at interest rate of 8 percent per annum for 10 years each.

17. EQUITY INSTRUMENTS

The Company's equity instruments as at 31 December 2016 are as follows:

	Principle activities	Ownership percentage	Number of shares	Investment amount MNT'000
Ard Securities SC LLC	Broker and dealer	100	501,961	2,126,216
MTND LLC	Business consulting	100	10,000	10,000
Tenger Systems LLC	Software	100	122,000	199,814
Altan Khoromsog SC LLC	Broker and dealer	100	528,651	40,000
Ard Management LLC	Foreign trade	100	100,000	400,000
Ard Insurance LLC	Insurance	83.03	1,239,227	7,688,521
Jinst-Uvs JSC	Agriculture	84.6	45,028	58,000
Ard Credit NBFI	NBFI	80.7	10,592	3,818,505
Mongol Post JSC	Telecommunication	27.55	27,435,105	9,324,112
Nomiin Khishig LLC	Press	20	36,000	1,780,000
Ard Assets SLC	Savings and loan Cooperative			12,500
Investor Nation JSC	Investments	6.44	104,000	104,000
				25,561,668

17. EQUITY INSTRUMENTS (continued)

The Company's equity instruments as at 31 December 2015 are as follows:

	Principle activities	Ownership percentage	Number of shares	Investment amount MNT'000
MTND LLC	Business consulting	100	10,000	10,000
Ard Securities SC LLC	Broker and dealer	100	501,961	983,000
Tenger Systems LLC	Software	100	101,000	178,814
Ard Management LLC	Foreign trade	100	100,000	100,000
Institute of Engineering and Technology	Education	50	623,399	9,824,869
Jinst Uvs JSC	Agriculture	84.6	45,028	58,000
Ard Insurance LLC	Insurance		825,537	6,337,200
Ard Credit NBFI LLC	NBFI	58	5,800	1,852,934
Nomiin Khishig LLC	Press	20	36,000	1,382,400
Wild Digital LLC	Software	51.4	29,610	29,610
Ard Assets SLC	Savings and loan Cooperative			22,500
				20,779,327

Movements during the year are as follows:

	2016 MNT'000	2015 MNT'000
Beginning balance	**20,779,327**	**32,024,057**
Acquisition	12,324,592	450,045
Sale	(10,552,703)	(11,694,775)
Changes of fair value	3,010,452	-
Closing balance	**25,561,668**	**20,779,327**

18. SHORT-TERM LOANS RECEIVABLES

Loans provided for the years ended 31 December 2015 and 2016 are as follows.

	Ard Credit (i) MNT'000	Ganzorig.Ch (ii) MNT'000	Ganhuyag.Ch (iii) MNT'000	Arvai Capital LLC (iv) MNT'000	I Consent LLC /USD/ (v) MNT'000	Hunnu Air LLC (USD) (vi) MNT'000	TOTAL MNT'000
Balance at 31 Dec 2015	**-**	**-**	**-**	**-**	**126,831**	**-**	**126,831**
Loans provided	915,000	9,867	-	19,306	-	777,252	**1,721,425**
Repayment of loans provided	-	-	-	-	(26,999)	-	**(26,999)**
Foreign exchange difference	-	113	-	-	7,380	-	**7,493**
Balance at 31 Dec 2015	**915,000**	**9,980**	**-**	**19,306**	**107,212**	**777,252**	**1,828,750**
Loans provided	1,035,000	-	110,177	-	-	-	**1,145,177**
Repayment of loans provided	(1,909,767)	-	(3,559)	(19,306)	(107,212)	(777,252)	**(2,817,097)**
Foreign exchange difference	-	2,468	-	-	-	-	**2,468**
Balance at 31 Dec 2016	**40,233**	**12,448**	**106,618**	**-**	**-**	**-**	**159,298**

18. SHORT-TERM LOAN RECEIVABLES (continued)

(i) In accordance with a Loan Agreement entered between Ard Financial Group Closed JSC and Ard Credit NBFI LLC dated 01 September 2016, the Company agreed to provide MNT 870 million loan for 360 days at interest rate 15% per annum for business purpose.

(ii) In accordance with a Loan Agreement between Ard Financial Group Closed JSC and Ganzorig.Ch on 10 July 2015, the Company provided USD 5,000 for 12 months at interest rate 1,5% per month for consumption purpose.

(iii) The Company made a Loan Agreement with Ganhuyag.Ch on 2 December 2016 to provide MNT 110 million loan at interest rate of 18% per annum for 12-month period.

19. PREPAYMENTS AND PREPAID EXPENSES

	31 December 2016 MNT'000	31 December 2015 MNT'000
Employees' cumulative savings	20,228	14,399
Prepaid rent	139,217	97,736
Others	19,994	15,391
	179,439	**127,526**

20. TRADE AND OTHER RECEIVABLES

	31 December 2016 MNT'000	31 December 2015 MNT'000
Amount due from the related parties	4,265,201	12,572,524
Amount due from the third parties	112,118	123,285
Other receivables	24,152	8,083
Bad-debts expense	(3,099)	-
Total financial assets other than cash and cash equivalents classified as loans and receivables	**4,398,372**	**12,703,891**
Taxes and SHI receivables	95	72,928
Total trade and other receivables	**4,398,467**	**12,776,819**

21. SHARE CAPITAL

The Company is entitled to issue 22,752,700 ordinary shares at par value of MNT 100 each. As at 31 December 2016, shares issued by the Company are as below:

Ordinary share	Number of shares	Par value (MNT)	TOTAL MNT'000
As at 01 January 2015	**16,795,333**	**100**	**1,679,532**
Shares issued	765,805	100	76,481
Share repurchase	(365,774)	100	(36,577)
As at 31 December 2015	**17,194,364**	**100**	**1,719,436**
Shares issued	-	-	-
Share repurchase	-	-	-
As at 31 December 2016	**17,194,364**	**100**	**1,719,436**

The major shareholders of the Company as at 31 December 2016 are as follows:

Shareholders	Number of shares	Par value	Total MNT'000	Percent
MTND LLC	1,868,051	100	186,805	10.86
Khishigdorj Batkhishig	1,689,415	100	168,942	9.83
Luna and Luna LLC	1,450,801	100	145,080	8.44
Ventures One	1,304,043	100	130,404	7.58
Bruno Raschle	1,302,016	100	130,202	7.57
Ganhuyag Chuluun	1,132,000	100	113,200	6.58
Investor Nation JSC	1,056,359	100	105,636	6.14
Ard Securities SC LLC	1,035,358	100	103,536	6.02
Inter Group International LLC	917,333	100	91,733	5.34
Mongolyn Alt LLC	873,000	100	87,300	5.08
Gereltuya Sedbazar	452,000	100	45,200	2.63
Soronzonbold Lkhagvasuren	306,710	100	30,671	1.78
Ronoc limited	305,697	100	30,570	1.78
Zoljargal Myagmarsuren	251,000	100	25,100	1.46
Uyanga Galnyam	224,679	100	22,468	1.31
Major shareholders	**14,168,462**	**100**	**1,416,846**	**82.40**
768 other shareholders	3,025,902	100	302,590	17.60
Total shareholders	**17,194,364**	**100**	**1,719,436**	**100.00**

21. SHARE CAPITAL (continued)

The major shareholders of the Company as at 31 December 2015 are as follows:

Shareholders	Number of shares	Par value	Total MNT'000	Percent
Ard Securities SC LLC	3,708,515	100	370,852	21.57
Inter Group International LLC	1,871,276	100	187,128	10.88
Luna and Luna LLC	1,373,801	100	137,380	7.99
Ventures One	1,304,043	100	130,404	7.58
Ganhuyag Chuluun	1,290,000	100	129,000	7.50
Mongolyn Alt LLC	873,000	100	87,300	5.08
Nemekhbaatar Bayartogtokh	507,834	100	50,783	2.95
Bruno Raschle	461,016	100	46,102	2.68
Buren-Erdene Khuldorj	457,300	100	45,730	2.66
Gereltuya Sedbazar	452,000	100	45,200	2.63
Uyanga Galnyam	431,589	100	43,159	2.51
Soronzonbold Lkhagvasuren	405,210	100	40,521	2.36
Sergelen Munkh-Ochir	350,794	100	35,079	2.04
Bat-Ochir Dugersuren	313,650	100	31,365	1.82
Ronoc limited	305,697	100	30,570	1.78
Major shareholders	**14,105,725**	**100**	**1,410,573**	**82.04**
315 other shareholders	3,088,639	100	308,864	17.96
Total shareholders	**17,194,364**	**100**	**1,719,436**	**100**

22. FAIR VALUE RESERVE

	2016 MNT'000	2015 MNT'000
Balance as at 1 January	-	-
Fair value adjustment of investment	3,010,452	
Deferred tax expenses	(302,613)	
Balance as at 31 December	**2,707,839**	-

23. OTHER EQUITY

In accordance with the Board of Directors' Resolution No.2007/06 dated 4 May 2007, the Company established a provision at 25 percent of dividends allocated from Xac Bank. MNT 500,000 was allocated as premium in accordance with the BOD Resolution dated 21 May 2007.

24. DEFERRED TAX PAYABLE

	31 December 2016 MNT'000	31 December 2015 MNT'000
Arising from fair value difference	302,613	-
Arising from foreign exchange difference	49,899	-
	352,512	**-**

25. SHORT-TERM LOANS

	31 December 2016 MNT'000	31 December 2015 MNT'000
Loan from Khan bank [1]	712,335	-
Loan from Ard Assets SLC [2]	30,000	-
	742,335	**-**

[1]The amount represents a loan received from Khan Bank at annual interest rate of 21.6% for 1 year period. The loan collateralized the Company's savings account as a security.
[2]The amount represents loan received from Ard Assets SLC at interest rate 20% per annum. The loan collateralized the Company's savings account as a security.

26. TRADE AND OTHER PAYABLES

	31 December 2016 MNT'000	31 December 2015 MNT'000
Amount due to companies	169,841	424,938
Amount due to individuals	-	123,864
Wages and salaries payable	60	-
Shares payable	562,573	5,266,680
Rent deposits payable	-	14,175
Interest payable	29,207	-
Other payables	5,300	5,000
Total financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortized cost	**766,981**	**5,834,657**
PIT payable	14,462	9,812
VAT payable	34,544	-
Withholding tax payable	1,716	300
	817,703	**5,844,769**

27. NOTES SUPPORTING STATEMENTOF CASH FLOWS

Cash and cash equivalents for purposes of the statement of cash flows comprises:

	At 31 Dec 16 MNT'000	At 31 Dec 15 MNT'000
Cash at bank /MNT/	24,205	14,222
Cash at bank /USD/	2,584	1,110,732
Demand savings /MNT/	1,513	14,102
Demand savings /USD/	16,972	119,064
Time deposit in NBFI /USD/	91,044	70,000
Restricted cash[1]	29,874	-
	166,192	**1,328,120**

[1] The amount represents a bank account opened in Ard Securities SC LLC for the purpose of purchasing shares from foreign Stock Exchanges.

Significant non-monetary transactions are as follows:

	Note	Addition MNT'000	Disposal MNT'000
Investment activities			
Assets held-for-sale		3,000,000	-
Loans provided to IET LLC		3,159,080	-
Share exchange of AFG closed JSC		3,665,788	-
Equity instruments exchanged		-	9,824,868
		9,824,868	**9,824,868**

28. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CHANGES

The Company's accounting policies are not changed during the year.

29. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

29.1 Revenue

When the outcome of a transaction can be estimated reliably and it is probable that the economic benefits associated with the transaction will flow to the Company, revenue is recognized.

- ***Investment benefit***

The Company's main operating income comes from benefits from investment and revenue from proceeds investments. Revenue is recognized under the accrual basis in accordance with IAS.

- ***Interest income***

Interest income and expenses are recorded in the statement of comprehensive income for all debt instruments on an accrual basis using the effective interest rate method.

- ***Rental income***

Investment property rental income is recognized on a straight-line basis over the respective lease term.

29.2 Cost / Expense Recognition

The expense is recognized when a decrease in economic benefits in the form of outflows or depletions of assets or incurrences of liabilities that result in decreases in equity, other than those relating to distributions to equity participants.

Expense is recognized in the statement of profit or loss and other comprehensive income as it incurs.

29.3 Financial income/ expense

Finance income comprises interest income on bank account and deposits, on loans to related parties and other parties and interest income on short-term bond investment. Interest income is recognized as it accrues in income statement, using the effective interest method.

Finance costs comprise interest expense on borrowings. All borrowing costs are recognized in income statement using the effective interest method, in the period in which they are incurred except to the extent that they are capitalized as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use.

29. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

29.4 Foreign currency transactions

Monetary assets and liabilities denominated in foreign currencies other than MNT are translated into functional currency (MNT) at official rate of exchange ruling at the balance sheet date, and income and expenses in foreign currencies are translated at official rates of exchange ruling at the transaction dates. Foreign exchange gains and losses arising on translations are recorded in the statement of income.

Non-monetary assets and liabilities denominated in foreign currencies are presented at historical cost and translated into MNT at the official rates ruling at the transaction dates.

29.5 Income tax expense

Income tax expense comprises current and deferred that are recognized in income statement. Current tax is the expected tax payable on the taxable income for the year, using the tax rates approved at the balance sheet date and any adjustment to tax payable, deferred tax assets and liabilities in respect of previous years.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

29.6 Earnings/ (loss) per share

Earnings/ (losses) per share are calculated based on net profit or loss distributed to the weighted average number of ordinary shares during the reporting year. It represents the current profit or loss for each ordinary share. If the Company holds any diluted financial instrument, then the Company should also calculate and report the diluted profit/ (loss) per share.

29. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

29.7 Related party

A party is related to the another party if a Party, directly or indirectly, has a significant influence to the decision making for the financial and operating activities of the another party or controls over the financial and operating activities of the another party, and a Party is related to another party if the Company is under control of a party or the conditions above mentioned are reverse. The company's related parties may be individuals or other entities.

The company has a related party relationship with the following entities and individuals:

i. Subsidiaries and associates;
ii. Members of the Company's board of directors and executive management and their close family members

Regardless whether any transactions have been made between related parties, their relationships should be disclosed. Relating to the disclosures of transactions between related parties, disclose the followings.

(a) Purchases
(b) Sales
(c) Leases
(d) Loans
(e) Provision of guarantees and collateral
(f) Commitments to do something if a particular event occurs or does not occur in the future, including executor
(g) Settlement of liabilities on behalf of the entity or by the entity on behalf of another party

Items of a similar nature may be disclosed in aggregate except when separate disclosure is necessary for an understanding of the effects of related party transactions on the financial statements of the entity

29.8 Employee benefits

i) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

ii) Social and health insurance

As required by law, companies in Mongolia make social security and health contributions to the Social and Health Insurance scheme and such contributions are recognised as an expense in the Consolidated Statement of Profit or Loss and Other Comprehensive Income as incurred.

29. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

29.9 Financial assets

The Company classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Company has not classified any of its financial assets as held to maturity.

Other than financial assets in a qualifying hedging relationship, the Group's accounting policy for each category is as follows:

Fair value through profit or loss

Investment in equity instruments which is not held for trading is classified as financial assets that measured at fair value and recognized in other comprehensive income. The changes of fair value is recognized as other comprehensive income in statement of changes in equity. The financial assets which held for trading assets are classified as fair value through profit or loss.

Loans and receivables

Loan and receivables that have fixed or determinable payment that is not quoted in active market is classified as financial assets. Such financial assets are usually created from goods sold to customers and service provision (trade receivables) and other monetary assets under other contracts. At initial, loans and receivables shall be recognized at their fair value plus directly attributable transaction costs and in subsequent periods, they shall be measured at amortised cost minus impairment using effective interest rate.

If an entity has concrete evidence that its receivables are no longer collectable (customer is in a financial stress, liquidate or defer to long term), it should recognize impairment provision and this amount is a difference between carrying value of trade receivable and present value of probable cash flows. Impairment of trade receivable, which is recorded at net amount, shall be recognized separately and loss should be recorded in Statement of Comprehensive Income as an administrative expense. After confirming trade receivable is not collectable, total carrying value of assets and provision should be net off and deleted from the accounts.

The company's loan and receivables consist of trade and other receivables in Statement of Financial Position.

29. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

29.9 Financial assets (continued)

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and cash balances at banking (for cash flow statement).

Assets available-for-sale

Non-derivative financial assets not included in the above categories are classified as available-for-sale and comprise principally the Company's strategic investments in entities not qualifying as subsidiaries, associates or jointly controlled entities. They are carried at fair value with changes in fair value, other than those arising due to exchange rate fluctuations and interest calculated using the effective interest rate, recognized in other comprehensive income and accumulated in the available-for-sale reserve. Exchange differences on investments denominated in a foreign currency and interest calculated using the effective interest rate method are recognized in profit or loss.

Where there is a significant or prolonged decline in the fair value of an available for sale financial asset (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously recognized in other comprehensive income, is recognized in profit or loss.

Purchases and sales of available for sale financial assets are recognized on settlement date with any change in fair value between trade date and settlement date being recognized in the available-for-sale reserve.

On sale, the cumulative gain or loss recognized in other comprehensive income is reclassified from the available-for-sale reserve to profit or loss.

29.10 Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired. Other than financial liabilities in a qualifying hedging relationship, the Company’s accounting policy for each category is as follows:

Financial liabilities Fair value through profit or loss

This category comprises only out-of-the-money derivatives (see "Financial assets" for in the money derivatives). They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of comprehensive income. The Company does not hold or issue derivative instruments for speculative purposes, but for hedging purposes. Other than these derivative financial instruments, the Company does not have any liabilities held for trading nor has it designated any financial liabilities as being at fair value through profit or loss.

29. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

29.10 Financial liabilities (continued)

Other financial liabilities

Other financial liabilities include the following items:

- Bank borrowings and the Company's perpetual preference shares are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.
- Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

29.11 Fair value measurement

The Company measures it investments in properties, subsidiaries and associates, as well as its investments in financial instruments, such as equities, debentures and other interest bearing investments and derivatives, at fair value at each reporting date.

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 fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price or binding dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. Securities defined in these accounts as ‘listed’ are traded in an active market.

29. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

29.11 Fair value measurement (continued)

Where the Company has financial assets and financial liabilities with offsetting positions in market risks or counterparty credit risk, it has elected to use the measurement exception provided in IFRS 13 to measure the fair value of its net risk exposure by applying the bid or ask price to the net open position as appropriate.

For all other financial instruments not traded in an active market, the fair value is determined by using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach (i.e., using recent arm's length market transactions adjusted as necessary and reference to the current market value of another instrument that is substantially the same) and the income approach (i.e., discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible).

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1-Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2-Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable (adjusted)
- Level 3-Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable (for example: discounted cash flows)

29.12 Impairment of non-financial assets

Non-financial assets including property, plant and equipment and intangible assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit (CGU), which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash flows.

Impairment losses for CGUs reduce first the carrying amount allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the CGUs. All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment charge is reversed if the CGU's recoverable amount exceeds its carrying amount.
Impairment charges are recognized in the Statement of profit or loss and other comprehensive Income.

29. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

29.13 Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are initially recognized at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions. The company useless cost model. Property, plant and equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment (losses). Where an item of property, plant and equipment comprises significant components with different useful lives, the components are accounted for as separate items of plant and equipment.

Subsequent expenditures

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in the statement of profit or loss as incurred.

Major maintenance and repairs

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Gains and losses

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount, and are recognized net within gain or loss from disposal of equipment in profit or loss.

Depreciation

Depreciation is recognized in net income and begins when the asset is available for use, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.
Depreciation is provided on a straight line basis over the estimated useful life of the assets as follows:

▪ Computer and its accessories, softwares, and electironics	3 years
▪ Furniture and fixtures	10 years

29. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

29.14 Leased assets

(i) Finance lease

Where substantially all of the risks and rewards incidental to ownership of an asset have been transferred to the Company, the amount initially recognized as an asset is the lower of the fair value of the leased asset and the present value of the minimum lease payments.
The lease payments are allocated to finance expense and lease payable and interest is charged on outstanding amount of lease payable. Finance expense is recognized in statement of profit or loss and other comprehensive income.
A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

(ii) Operating lease

When Company use asset under with operating lease, the payments made under operating leases are recognized in the statement of income on a straight-line basis over the term of the lease. Lease incentives received are recognized in the statement of income as an integral part of the total lease expense.

Contingent rents are recognized as revenue and expenses in the period in which they are incurred.

(iii) Investment property

Investment property is recognized as cost initially. These cost comprises any directly attributable expenditures to acquire investment property. After initial recognition, The Company chose fair value model to recognize. Any gains or losses of fair value changes is recognized as gains or loss when its occur.

29.15 Inventory

Inventories for sales are valued initially at cost and subsequently at the lower of cost and net realizable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The inventory includes the stationaries and supply materials. The company uses perpetual inventory system.

29.16 Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale when:

- They are available for immediate sale
- Management is committed to a plan to sell
- It is unlikely that significant changes to the plan will be made or that the plan will be withdrawn

29. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

29.16 Non-current assets held for sale and disposal groups (continued)

- An active programme to locate a buyer has been initiated
- The asset or disposal group is being marketed at a reasonable price in relation to its fair value, and
- A sale is expected to complete within 12 months from the date of classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of:

- Their carrying amount immediately prior to being classified as held for sale in accordance with the group's accounting policy; and
- Fair value less costs of disposal.

29.17 Equity

i) Share capital

All shares issued are ordinary shares and are classified as equity. Ordinary shares and share options are recognised as equity at the price and incremental costs directly attributable to the issue net off any tax effects.

Share capital represents ordinary shares multiplied by nominal value per share.

ii) Treasury shares

Repurchased equity instruments (treasury shares) are eliminated from the equity and recognized at the amount paid for repurchase including directly attributable incremental costs. The Company is to cancel the repurchased shares instead of keeping them as treasury shares.

Gains or losses on cancellation, issuance, sale and purchase of equity financial instruments are not recognized in other comparative income statement.

29.16 Provision/Reserve

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

29.17 Fair value reserve

The changes in fair value of investments are recorded in the statement of financial position as fair value reserve under equity.

29.18 Dividends

Dividends are recognized as a liability during the period it was declared.

30. RELATED PARTIES

Identifying related parties

A party is related to the another party if a Party, directly or indirectly, has a significant influence to the decision making for the financial and operating activities of the another party or controls over the financial and operating activities of the another party, and a Party is related to another party if the Company is under control of a party or the conditions above mentioned are reverse. The Company's related parties are individuals and other entities.
The Company has a related party relationship with the following entities and individuals:

i. The Company's directors and executive management
ii. Other companies owned by shareholders;

The Company has related party relationships with the following shareholder-owned companies:

Related party name	Business Activities	Relationship
Ard Insurance LLC	Insurance	Investee
Nomiin Khishig LLC	Press	Investee
Ard Credit NBFI	NBFI	Investee
Investor Nation JSC	Investment	Investee
MTND LLC	Business consulting	Subsidiary
Ard Assets SLC	Savings and loan association	Subsidiary
Arvai Capital LLC	Business consulting	Subsidiary
Tenger Systems Ltd	Programming	Subsidiary
Ard Securities SC LLC	Broker and dealer	Subsidiary
Ard Management LLC	Foreign trade	Subsidiary
Mongol Post JSC	Communication	Investee
Jinst-Uvs SC	Agriculture	Investee
Ganhuyag.Ch	N/a	Executive Director
Oyungerel.J	N/a	Chairman of the board of directors
Odbayar.O	N/a	Member of the board of directors
Soronzonbold.L	N/a	Member of the board of directors
Ariuntugs.Ts	N/a	Member of the board of directors
Bruno Raschle	N/a	Member of the board of directors
Bayarjargal.V	N/a	Member of the board of directors
Batbayar.P	N/a	Member of the board of directors
Tsogbadrakh.G	N/a	Member of the board of directors
Anthony Hobrow	N/a	Member of the board of directors

30. RELATED PARTIES (continued)

The significant transactions with related parties are as follows:

	2016 MNT'000	2015 MNT'000
Loans provided	4,477,271	915,000
Repayment of loans provided	(1,973,553)	(514,197)
Loans received	(129,000)	-
Revenue from services rendered	384,979	222,947
Remuneration of the executive management	(248,877)	(126,698)
Rental expense	266,505	(286,773)

The related party receivables/(payables) are as follows:

	31 Dec 2016 MNT'000	31 Dec 2015 MNT'000
Ard Credit NBFI LLC	18,652	915,457
Ard Credit NBFI LLC	-	(350,001)
Ard Insurance LLC	22,152	21,113
Tenger Systems LLC	36,510	21,327
Wild Digital LLC	-	6,223
Ard Management LLC	(86,500)	-
MTND LLC	3,561,578	-
Ard Active SCC	(42,189)	26,402
Ard Securities SC LLC	586,185	5,224,611
Jinst Uvs SC	10,440	-
Altan Khoromsog SC LLC	2,180	-
Investor Nation JSC	2,799	-
Shareholders	5,744	63,844
Shareholders		(123,862)
Total	**4,117,551**	**5,805,114**

31. SUBSEQUENT EVENTS

On 24 March 2017, the Company issued 24-month, MNT 2 billion bond at interest rate of 19.2%.

32. COMPARATIVE FIGURES

Certain corresponding figures have been reclassified to conform to the current year's presentation.

33. TRANSLATION INTO ENGLISH

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