



ANNUAL REPORT | 2017



Stronger. Together.

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Message from the Chairman of the Board

Dear Shareholders!

It is a pleasure to greet you as the Chairman of the Board of Directors of Ard Financial Group.

The general responsibilities of the Board include the appointment of the executive management, approving salaries and remuneration, monitoring and directing their performance. We continually aspire to introduce international good governance standards into our day-to-day operations. As a result, we believe that Ard Financial Group has become the leading model of good governance in Mongolia. This report may be regarded as an illustration of such governance.

In 2017 the Board met three times, impenary sessions met once for a strategic retreat. Last year the Board operated with nine directors. There are three standing committees under the Board, with the Committees coordinating preparations for each board meeting.

The Board approved the Company strategy, business plan, organizational structure, budget, policy, and procedures; we reviewed the operational and financial performance, and approved the significant transactions and deals as they came due. In particular, the Board reviewed the MAK and IET real es-

tate transactions and, for the first time in Mongolia, authorized the executive management initiative to experiment by investing in crypto currency. Moreover, to secure the cash flow of Ard Holdings we authorized the issuance of the MNT and USD bonds and, by the end of the year, obtained a short-term loan from the bank.

Last year we acquired an additional 12.28 percent of Ard Insurance and injected MNT100 million into Ard Bit. Also, we decided to increase the shareholders' equity of Ard Life and capitalize Ard Management.

The Board zoomed in on the IPO of the Ard Credit and Ard Insurance to finance the future growth. Ard Holdings, within the framework of becoming a public company, managed the merger of Jinst-Uvs and Investor Nation companies resulting in listing at the stock exchange, and we closely monitored the share price movement, investor perception, and the market conditions.

The Board approved The Company's business plan, code of conduct, human resources, dividend, consolidated financial statement policies, authority limits, and information transparency guidelines, and operational procedures for insider information handling.

Mr. Ariuntogs resigned from the Board after MAK sold its shares, and Mr. Nemehbaatar, stepped down from our Board after he swapped all his shares in the Company for the shares of Institute of Engineering and Technology. The Board Chairman Mrs. Oyungerel resigned upon her request, and I was assigned as an acting Chairman of the Board. In 2017, the president of Monpolymet Group Mrs. Munhnasan was elected as an independent board member. Mrs. Nomin, the executive director of Mongol TV was appointed as a Director at the shareholders meeting, however, excused herself due to her work responsibilities.

The Board secretary Ms. Zolzaya excelled at her duties, and we would like to highlight the improvement in quality of Board documents, organization of meetings and introductory presentations.

We created the position of the Risk Manager. Besides the Internal Auditors, we appointed the Legal compliance officer, directly reporting to the Board;

it is one of few occasions of actually implementing an international best practice in Mongolia.

As a result, besides the Chief Executive Officer, four officers report directly to the Board.

For the last four consecutive years Ard Holdings hired BDO Audit for auditing its financial reports, and this time we worked with Dalaivan Audit. This audit report is included in this report.

The shareholders meeting of the Company was successfully organized on 23rd of April 2017 and reviewed the annual report, appointed new Board members, and approved the budget.

As usual, Board did its self-evaluation for 2017. In 2016 we allocated 176,894 shares for wages and bonuses at the approval of the shareholders, and in 2017 we allocated 144,319 shares. During the April meeting the Board evaluated the performance of the Chief Executive Officer, and we approved his salary, bonus and reward of 85,790 shares in total.

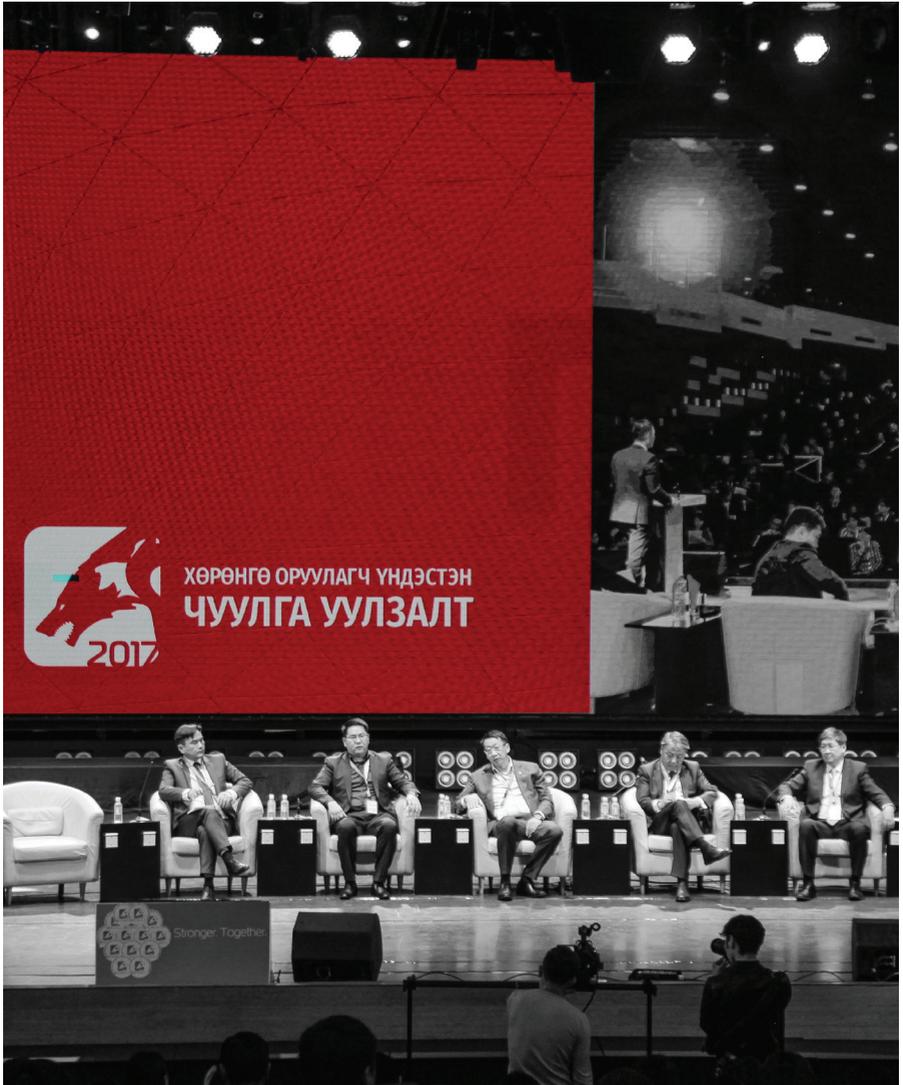
In 2018 we aim to reorganize Ard Financial Group as a joint stock company traded at the Mongolian Stock Exchange and to transform Ard Credit and Ard Insurance in to public companies by issuing new shares. We will come closer to our goal of becoming a Fintech bank by implementing the digital transformation of our operations.

We will work together to justify the great trust given to us. We are strong. We are together.

I wish you the greatest success in your future business!

P. Batbayar





Mission

Optimize investment returns by maintaining a balanced view on profits and risks.

Vision

We will strive to become the strongest financial services group of the Nation delivering superior returns.

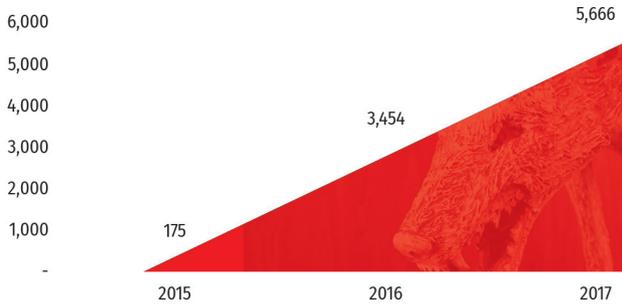




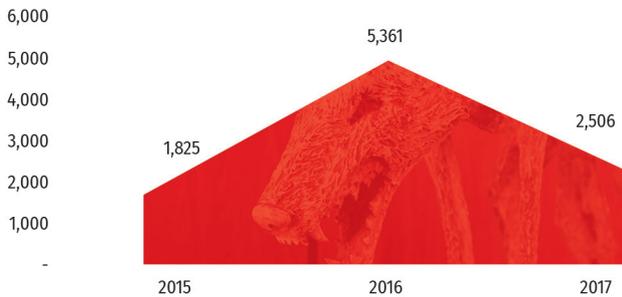
2017 in numbers

MNT million	2016	2017	Change
Total assets	39,392	49,656	26%
Loan Portfolio	5,361	2,506	-53%
Fixed Assets	677	825	22%
Shareholders' Equity	37,466	43,112	15%
Total Liabilities	1,946	6,544	236%
Net Profit	3,454	5,666	64%
Total Income	2,669	3,864	45%
Consolidated Group Assets	39,202	49,287	26%
Consolidated Group Profit	9,041	2,676	-70%
Number of Shares in Circulation	14.15	15.03	6%
Strategic Portfolio	25,561	39,033	53%
Earnings per Share	244	376.99	55%
Value per Share	2,454	2,955	20%

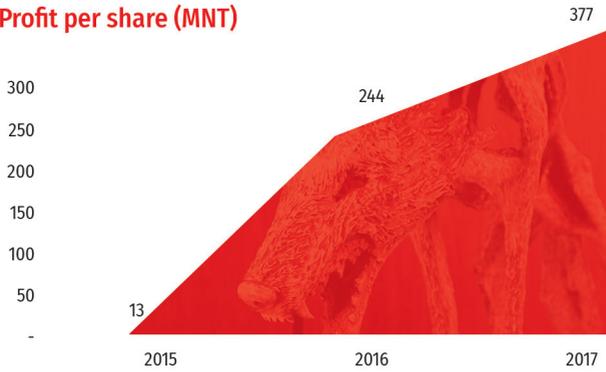
Net profit (MNT million)



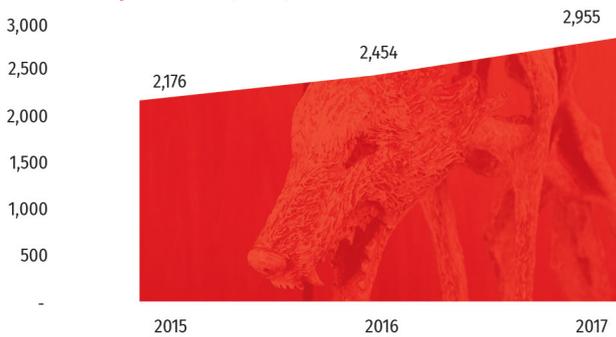
Loan portfolio (MNT million)



Profit per share (MNT)



Valuation per share (MNT)



Total assets of the Company surged by 26 percent to MNT49.7 billion as a result of 53 percent growth of the Strategic Portfolio that reached MNT39 billion. Particularly, it is due to the 63 percent increase in the market value of Mongol Post JSC, which reached MNT16 billion and increased valuations of Ard Credit and Ard Insurance by 19 and 24 percent respectively.

During the reporting year, the total loan portfolio decreased by 53 percent to MNT2.5 billion, related to the deal to swap MNT3.1 billion loan of IET for the shares of the school and real estate.

In 2017 Ard Financial Group profited from MNT5.6 billion in revenue (MNT1 billion from operating activities, on top of MNT4.6 billion produced from investments). As a result the Shareholders equity increased by 15 percent, reaching MNT43 billion.

As an investment company, we financed our operations by placing private bonds and revolving line-of-credit from the bank. As a result, the total liabilities increased by 236 percent and reached MNT6.5 billion. This growth also includes the deferred taxes payable of MNT1.3 billion, attributable to the growth in the value of the investment portfolio.

The Company valuation has risen by 19 percent, and the price of the shares increased to MNT2,955 per share.



Financial Ratios

Percent	2016	2017	Change
Loan Portfolio to Assets	13.6	5.1	-8.6
Investments to Assets	64.9	78.8	13.9
Debt to Assets	4.9	13.1	8.2
Investment to Capital	68.2	90.7	22.5
Salary expenses to total costs	25.8	13.4	-12.4
Cost of Financing	21.7	18.7	-2.9
Operating expenses to Assets	4.6	5.5	0.9
ROE (Return on Equity)	9.2	13.1	3.9
ROA (Return on Assets)	8.8	11.4	2.6

The reduction of the Loan Portfolio to Assets ratio is related to the deal that swapped the IET loan of MNT3.2 billion with the shares and real estate. The loan ratio reduction also indicates our efforts of using all resources into the core investment activities.

The Strategic Portfolio has risen to 78.6 percent of our total investment portfolio, influenced by the additional value created by increased valuation of Mongol Post, Ard Insurance, and Ard Credit, and by new investments into Ard Insurance, IET, and the Crypto Nation.

The mid-term USD and MNT bonds influenced the increase of the Debt to Assets ratio from 4.9 per cent to 13.2 per cent in 2017. Hence, we were able to reduce the commercial bank dependence and expand our potential to raise funding from the stock market.

By issuing a private bonds and restructuring the loan from 2016, We reduced the invest rate by 2.9 percent to 18.76 percent.





About the Company

In 2000 United Nations Development Pro-gramme and Mercy Corps, a US based NGO, made the decision to donate MNT600 million to the employee investment trust fund of XacBank.

Employees of XacBank exchanged their shares for the shares of XAC-GE LLC, a parent company of XacBank, in order to improve the value of their shares and volume of the investment.

XAC-GE LLC was renamed to TenGer Financial Group LLC, by the decision of the management and expanded to a group of companies that provide financial services.

Ard Financial Group was first established by the initiative of XacBank's founders and executive management as "Employee Investment Trust" or EIT in September 2005 and established the foundation of the first institutional investment entity in Mongolia.

EIT started with MNT1.2 million and 10 shareholders in 2005. By the end of 2017, the Company expanded to MNT50 billion in assets with over 3,000 shareholders.

In 2013, our principal investors formulated our strategy and decided to operate under the name of Ard Financial Group. Following our strategic plan, we continuously invested in Ard Credit, Ard Insurance, Ard Securities, Ard Life and Ard Assets companies.

In 2016, we successfully participated in the privatization of the Mongol Post company via the Mongolian Stock Exchange and became the principal shareholder of the Mongol Post. In 2017, we added Ard Management, an investment fund manager and Ard Bit, a cryptocurrency trader, into our investment portfolio. From 2018, TenGer Systems overhauled its operations and shifted to blockchain technology.

Based on our belief that the people should benefit from the wealth they produce, by allowing them to become the owners of their own banks, we converted Ard Holdings into a Closed Joint Stock Company in 2015. By the end of 2017 Investor Nation closed a reverse takeover with Jinst-Uvs JSC and started to trade at MSE publicly. This event highlights our readiness to become a public company in 2018.

Ard Holdings ventured into blockchain space by piloting Bitcoin trading in Mongolia in 2017 and setting up Blockchain Academy. We organize highly successful Investor Nation and CryptoNation Forum. Ard Holdings established a pilot fund under CryptoNation brand in 2017 and became the first institutional investor in Mongolia.



Milestones of 2017

Successfully hosted the largest event of the year - Investor Nation Forum, with participation of the Government, general public, and business community.

We issued MNT2 billion and USD1 million private bonds in the market for the first time.

We increased our shareholding in Ard Insurance Company to 95 percent and appointed Mr. Tsogbadrah as a Chief Executive Officer.

Ard Academy organized series of trainings and published the My First Investment and Digital Gold books.

Sold 50 per cent share of the Institute of Engineering and Technology and purchased back 12 percent of the shares at the end of the year.

Ard Bit was founded and in cooperation with Xapo.com started Bitcoin trading. Within short period the company started making profits.

Opened a first full service outlet in Shangri-La Mall to enable delivery of all types of financial services from one point of service.

Investor Nation LLC was reorganized to a publicly traded Company upon the merger with Jinst-Uvs JSC; it is the first successful reverse takeover in Mongolia. The 2017 closing stock price stand at MNT1,858.

Successfully hosted the Crypto Nation Forum with over 3,000 participants, to inform the public about the crypto currency and blockchain technology, while allowing the pioneers in the industry to introduce their work, learn from International experts, and delivered the message to the policymakers. It was the first of its kind event in Mongolia.

Within the framework of penetrating the crypto currency market a special purpose investment company, Crypto Nation was founded with 153 individual investors. We invested MNT950 million to get involved in crypto mining and build a cryptocurrency portfolio.

Ard Holdings signed a strategic cooperation agreement with the leading banking and financial systems software provider Grapecity and Most Money.

The synergy between the Ard Credit and Ard Assets is being explored. These companies are the two pillars of our goal to establish a commercial bank.







Report by the Chief Executive Officer

Year of triple “B”s - Bond, Bitcoin and Brokerage

2017 was a year of consolidating and finalizing some of the initiatives started in the past, identifying new sources of funding and resolving pending issues.

We were able to get rid of all of bank loans during the year, and Ard Financial Group and its subsidiary Ard Credit have successfully raised funds from capital markets in the form of private bonds. We experimented with a USD bond and were able to rigorously test the market capacity, our product viability and capability of our human resources and systems.

Starting from 2016 I personally started to disseminate information about Bitcoin and blockchain technology to the public. My team starting doing research on blockchain and crypto currencies, and we included the topic into Ard Academy financial training program. We founded Ard Bit LLC to enable Mongolian people to purchase Bitcoin locally upon partnering up with Xapo. At the end of the year we organized the CryptoNation Forum and published a book called Digital Gold for public dissemination. During the August Board meeting a decision was made to include cryptocurrency in the Group's investment portfolio. By the end of December the

investment return yielded 250 percent growth.

Upon the exit from this trial investment we decided to launch a closed crypto investment fund, called CryptoNation, which was able to attract 150 investors and invested into a basket of cryptos and Bitcoin mining.

We fulfilled our goal to become the first publicly listed financial conglomerate to trade on the Mongolian Stock Exchange. December 15th became a historical milestone for us. On this day, we started public trading of our shares on the stock market through reverse takeover of by Investor Nation by Jinst-Uvs (JIV), enabling ordinary Mongolians to purchase shares of a banking institution. For 2018, Ard Financial Group will become a publicly listed company upon a reversal into JIV, which currently owns 6 percent of it in 2018.

We started working on establishing Ard Bank - the Right Bank, to become the most powerful banking and financial services provider entity of Nation employing the best professionals and equipped with the best technologies.

Under my leadership the team of the Ard Financial Group set two particularly ambitious goals: one is to become a leading publicly traded financial institution, and, second, to found a branchless bank based on ICT innovation or a fintech.

We successfully merged the Investor Nation with Jinst Uvs and started to trade at Mongolian Stock Exchange. Ard Holdings Board approved the next step to reverse into JIV and IPO Ard Credit, and Ard Insurance in 2018. We made significant progress in corporate governance, internal audit, corporate transparency, risk management, and financial reporting. Our team successfully organized Investor Nation and Crypto Nation Forums in 2018 with the aim to introduce our brand and advertise our products to the public. We published two books last year.

Within the framework to become a Fintech we signed a strategic cooperation agreement with GrapeCity and Most Money and issued a co-branded payment card with the Trade and Development Bank. New core banking system called Polaris implementation commenced at Ard Credit and ArdPay App is being developed by Most Money. We established a joint working group to offer financial services through Mongol Post branches with the expectation to launch a pilot in 2018. Ard Bit started cooperating with Xapo, and we became the first company to trade Bitcoins in Mongolia. All savings deposits of Ard Assets became insured have grown by 130 percent. Blockchain Academy was launched by TenGer Systems to start building inhouse blockchain expertise and help develop new products and services. The Chief Digital Officer was appointed to lead implementation of digital transformation of the Group.

The Group switched to a new accounting software and redefined our consolidated information systems policy. Our digital marketplace is being developed at ard.mn and in 2018 we will establish a centralized online trading platform. We are ready to deploy our services with Mongol Post, tap into partnerships in rural areas, enroll in the project with the Asian Development Bank, roll out Most Money product, engage in cryptocurrency trading, launch a digital exchange and digital wallet, explore blockchain based online stock trading platform, activate group-wide cross sale, and activate Facebook banking.

2017 was a successful year for us, and the year 2018 will be the year of further improvement in profits and benefits for our shareholders. Please, see our 2017 milestones, plans for 2018 and other useful information from this report.

Stronger - Together!

Ganhuyag Chuluun Hutagt





Economic Context

Economy of the country became more stable, and real GDP growth reached to 5.1 percent by the end of 2017. Foreign exchange reserve increased by 2.5 times reaching MNT3.2 billion, export reached to USD6.2 billion for the first time, and foreign direct investment reached to USD1.1 billion. The Government, by paying out USD1.1 billion or MNT 2.6 trillion external debt, released itself from debt burden. Therefore, major rating agencies upgraded credit rating of Mongolia by one level, and Mongolia is classified under the stable category. The budget deficit reduced twice compared to last year, equal to 9 percent of GDP. The state budget revenue was increased by MNT1.4 trillion.

Since the beginning of the year, the Parliament amended relevant laws to set back the individual income tax to the previous level, and made the pension age selective; thus, positively influenced our further activities.

Total assets of Banking sector reached to MNT28.8 trillion, increased by 13.6 percent from the last year; it is due to the increased collateral of MNT2.9 trillion from commercial banks to Central bank and net growth of MNT1.1 trillion of the domestic loans. The Bank of Mongolia released the news about the successful completion of the asset quality review.

The Insurance sector assets reached to MNT 244.7

billion, growing by 17.4 percent compared to the previous year. Total revenue of insurance premium reached to MNT144.3 billion, resulting in growth of 26.1 percent compared to the prior year, and 32.3 percent out of it or MNT46.6 billion was reinsurance premium. Insurance claim reached to MNT45.2 billion, grew by 31.9 percent compared to the last year.

Total assets of Non-Bank Financial Institutions sector reached to MNT969.2 billion, growing by 23.1 percent, revenue reached to MNT195.9 billion, increase of 2.5 percent, and net profit reached to MNT66.8 billion, 7.8 percent growth compared to the previous year. Trustee service liability is 4 percent of total assets, 11.6 percent is payables to domestic and international banks and financial institutions, and 78.2 percent is equity.

The stock market trading volume reached MNT860.8 billion, which is increased by 147 percent from the prior year. Out of it, 9 percent was stock trading, 90 percent was Government bond trading, and 1 percent was corporate bond trading. In case of the stock trading, the TOP-20 index reached to MNT20,736.93, which also shown 66.5 percent growth in a year. The MSE ALL index reached to MNT1,146.31, indicating 33.1 percent growth. In case of the Agricultural Exchange, the trade volume reached to MNT572.6 billion, which had 23.7 percent growth.

Total assets of Savings and Credit Cooperatives sector reached to MNT153.1 billion, grew by 35.4 percent from the previous year, and total number of members increased by 20.4 percent. Residual

savings deposit reached to MNT99.3 billion, which has grown by 45.8 percent from the prior year. Total net profit of SCC reached MNT5.5 billion, grown by 44.7 percent from the past year.



Executive Summary

In 2017 our total assets grew from MNT39.4 billion to MNT49.7 billion. This was due to the growth of our strategic investment portfolio, the most important indicator on our balance sheet, which grew from MNT25.6 billion to MNT39 billion, yielding an increase of 52.7 percent.

This growth was funded by MNT2.8 billion of bonds, MNT1.1 billion bank loan and the remainder is a growth in value. In 2017, our comprehensive net income hit MNT5.6 billion.

Most importantly our shareholders' equity increased from MNT37.5 billion to MNT43.1 billion, an increase of 15 percent, bringing the internal valuation to MNT2,955, an increase of 20 percent.

In 2017, a total of 4,385,887 shares of Ard Financial Group were traded for MNT8,682.5 million on the secondary market. The opening share price in the beginning of 2017 was MNT 2,100 and closed at MNT 2,500 due to the profitability of the invested companies, valuations and overall market demand.

The valuation was impacted by the Mongol Post share price increase of 65.9 percent which closed the year at MNT552.5. Ard Financial Group's holding of Mongol Post hit MNT16 billion, which is 41.1 percent of our strategic portfolio in 2017. Mongol Post made a profit of MNT1.2 billion and the company's Board decided to distribute 30 percent of the earn-

ings or MNT367 billion in dividends. The prospect of privatizing the remaining part of the company is still open. The operations of the company is improving, and we need to continuously invest in the improvements in corporate governance.

The valuation of Ard Insurance increased from MNT7.7 billion to MNT9.5 billion, an increase by 24 percent. The company comprises 24.4 percent of the strategic portfolio of the Company. Ard Holdings owns 95.31 percent of Ard Insurance at the end of 2017. Profits of Ard Insurance reached MNT1,123 million and 50 percent of the net profit was decided to be distributed as dividends. As a requirement by FRC, the company will increase its shareholders' equity by MNT1.5 billion in 2018 and the Board decided to fulfill this by raising capital through IPO.

Valuation of the Ard Credit stood at MNT4.6 billion, an increase by 19 percent due to an increase in net profits. Ard Credit constitutes 11.7 percent of our strategic portfolio and we own 80.7 percent of the company. In 2017, Ard Credit expanded its total assets to MNT10 billion and made a net profit of MNT641 million. Last year, we introduced a cobranded credit card into the market and are ready to offer digital banking services in 2018 by implementing a new core banking system into its operations. In 2018, our primary goal will be to increase the

value of the shareholders' equity and improve the access to liquidity. Ard Credit has distributed dividends for four consecutive years and is planning to do an IPO on MSE.

The valuation of the remaining subsidiaries remained almost the unchanged without significant movements. At the end of 2017, we have decided to re-invest into the Institute of Engineering and Technology and brought our stake in the company to 12.41 percent. Also, an investment of MNT950 million into CryptoNation Investment fund impacted the valuation. Also, Altan Horomsog, brokerage and securities company was sold at its initial cost of MNT40 million.

The loan portfolio was reduced by MNT2.8 billion and the receivables increased by MNT418 million. We executed several real estate deals: out of 3 townhouses bartered as part of the IET deal, one

was traded in exchange for 10.27 percent stake in Ard Insurance, and the other house was exchanged for two houses in Naiman Sharga compound. The remaining townhouse was traded for the office space in City Tower and transferred as part of the deal of to buy back 873,000 shares of Ard Financial Group from MAK for MNT2,500 per share.

As a result of these deals, by the end of the year, Ard Financial Group owns 2 Naiman Sharga houses costing MNT1.2 billion, 2 hectares of land in Gachuurt costing MNT193 million, 20 percent of Ungot Hevlel building with the value of MNT1.7 billion. Ard Insurance owns one townhouse in Hiimori compound worth MNT1 billion and a 750 square meters printing factory facility located in IET premises. Two apartments were acquired as part of the deal related to receivables and were sold with the financing of Ard Credit.



Plan for 2018

Increasing the share value

In 2018, our first priority will be to strive to increase the value of investors' shares and improve their liquidity. Within this framework we developed a plan to IPO two strategically important subsidiaries, namely, Ard Insurance and Ard Credit, at the Mongolian Stock Exchange. We expect to see an exponential growth in the market share of these companies.

Also we anticipate that the market value of the top three entities, which comprise 77.2 percent of our Strategic Portfolio, would be realistically appraised by the stock market. Ard Financial Group valuation will become more rational with corresponding share price positive adjustment. To top it off, we are working to start trading Ard Holdings shares at the Mongolian Stock Exchange by reversing into the Investor Nation or JIV.

Improve products and services

We aim to become a leading Fintech company that delivers full-range of financial services throughout Mongolia without burdensome brick-and-mortar branches by tapping into opportunities provided by the innovation in ICT. In December of 2017 we signed a strategic cooperation agreement with GrapeCity and Most Money. We will be investing in

the group-wide IT system and consolidating our database. As a result, we will be able to introduce number of new products in the market which will enhance our competitive strength. We will be rolling out financial products through Mongol Post under our joint pilot program.

Implementing new technologies

Mongolians missed out on the internet boom – we did not have an opportunity to benefit and contribute from the same starting line with the rest of the World and had virtually no influence on the course of its development. We believe that the innovations in artificial intelligence and blockchain technology present an enormous development potential for us as a Company and as a Nation. Based on this faith we are rigorously researching and studying new technologies, educating our human resources, and investing in new projects. In 2017, we started Ard Bit, enabling Mongolians to participate in Bitcoin and Altcoin trading for the first time. We will be expanding our presence in this sphere and increasing our lead by implementing and investing in various projects. TenGer Systems is developing itself into a blockchain company. We jointly established Mongolia's first BlockChain Academy within short period of time and will be devoting more resources to it going forward.



Guiding Principles and Strengths

Guiding Principles

Create, maximize and protect value for the shareholders;

Formulate and uphold the highest standards of ethics. Meticulously comply with all Mongolian laws and regulations;

Strive to maintain a healthy balance between risk and return;

Implement and adhere to the best practices of corporate governance and maintain transparency of operations at all levels of the organization;

Adopt an open and flexible mindset, stay alert to changes in the market, and develop a capacity for rapid execution;

All companies in the Group lead in their respective markets and innovate continuously;

All companies in the Group will strive to maintain highest levels of customer service and satisfaction;

We will assemble the most powerful, professional and lean teams throughout the Group and entry level bar will be set high for job applicants. Requirements for the job holder will be stringent and individual accountability will be strictly enforced.

Strengths

Financial services group with a unique market position;

Transparency of operations, good governance, and proven management;

Innovator in the financial sector;

Technologically advanced and experienced marketing team;

Reputable companies and individuals as shareholders and investors;

Competitive edge through effective partnerships;

Consistent delivery of high returns on investments;

Ready to capitalize on the opportunities presented by the market.





Valuation

(MNT million)	Q4 2015	Q4 2016	Q4 2017
Strategic investment	9,405	23,599	33,712
Mongol Post	-	9,681	16,065
Investor Nation	58	162	296
Ard Insurance	6,337	7,689	9,528
Ard Credit	1,853	3,818	4,558
Ard Securities	983	2,126	2,126
Ard Management	100	100	100
Ard Assets	64	13	29
Ard Life	10	10	1,010
Non strategic investment	11,438	2,077	5,341
TenGer Systems	190	199	274
Nomyn Hishig	1,382	1,780	1,780
IET	9,825	-	2,337
CryptoNation Fund	-	-	950
Other	41	98	-
Other	8,506	9,048	5,372
Short term investment	3,326	8,304	1,310
Fixed assets	1,623	726	873
Cash	1,328	166	689
Net receivables	2,229	-864	2,500
Realized Gain	-	716	-
Total valuation	29,349	34,724	44,425
Total shares in circulation	13,486,359	14,151,451	15,033.87
Price per share	2,176	2,454	2,955



95.31%



80.7%



29.16%



100%



9.36%



9.7%



100%



100%



20%



100%



100%



100%

Investment portfolio

Ard Insurance

Ard Insurance collected MNT10.3 billion in total premium income in 2017 producing a growth of 40 percent compared to the previous year and paid out MNT4.1 billion in indemnity payment to 3,408 insurers. As a result net profit of the company hit MNT1.12 billion with the return on equity of 23.7 percent.

Ard Insurance specifically endeavored to improve its customer service quality and increase the level of client satisfaction. We were well rewarded by our clients for settling the indemnity payments within 3 business days on average, and for resolving the indemnities of up to MNT500 thousand within one business day throughout public holidays such as the new year, lunar new year, and national holidays.

Ard Credit

With the recovery of the economy of Mongolia, operating and financial indicators of Ard Credit significantly improved. During the reporting period, the total assets of our company rose by 79 percent to MNT10.2 billion, and the net loan portfolio increased by 60 percent to MNT7.8 billion resulting in all-time high net profit of MNT640 million. We became the first NBF1 to introduce cobranded credit cards to the public by issuing a total of 416 Ard Cards. We will be investing continuously in more innovative services to the market and entering into more strategic partnerships going forward.

Ard Securities

2017 was an eventful year for Ard Securities, a licensed securities and brokerage company, with a number of changes in the executive management of the company. The Board was formed and met on ad hoc basis to issue necessary resolutions and provide direction.

The Company issued three MNT bonds, two USD bonds, and successfully raised MNT6.5 billion in total through private placements of these bonds. Furthermore, we advised the first ever reverse merger on the Mongolian Stock Exchange successfully listing the Investor Nation.

The number of the company's clients reached 14,991 by the end of 2017. The total amount of trading at the Mongolian Stock Exchange stood at MNT9.9 billion of which MNT5.2 billion was T-bills. We brokered MNT8.6 billion worth of Ard Financial Group stocks. The Company made a net profit of MNT422 million in 2017.

Mongol Post JSC

In 2017, Mongol Post JSC opened a model branch to showcase modern postal service tendencies. Furthermore, new postal industry service standards were developed and experimentation was started. In order to generate additional revenue sources and enhance the service differentiation of Mongol Post JSC, PostShop project commenced at the Central post office and pilot branches.

With the objective of regulating unofficial packages passed by the passenger buses, in cooperation with the National Transportation Department, a postal freight and luggage storage service center was launched at the “Songinohairhan” or the “Dragon” transportation terminal, where luggage delivery and storage services are offered. The same service was introduced in Darhan and Govi-Altai provinces. Moreover, the “postnews.mn” website was created to help reduce costs, modernize the service and to improve the operating efficiency of the printed press ordering.

TenGer Systems

In 2017, TenGer Systems overhauled its strategy and operations by shifting from traditional IT development company to blockchain technology company, with the goal to become a leader in the space. Under this framework, we originated a Blockchain Academy and in partnership with international experts aim to educate qualified specialists and implement real projects in cooperation with our partners.

Starting from the 4th quarter of 2017, TenGer System initiated a digital banking project and in 2018 we will start delivering actual products. As a result, Ard Financial Group will be able to provide all types of banking and financial services through digital channels.

Ard Life

Ard Life upgraded its product and services portfolio, expanded the private pension product offerings to other legal entities and companies on top of the Ard Financial Group employees; as a result, the number of clients reached 870, an increase of 163

percent, and the total pension fund grew by 113 percent.

We launched a new health and accident insurance package in cooperation with Ard Insurance with outstanding value offering designed exclusively for the clients of our fund. Moreover, we introduced a new product enabling our clients to borrow against their pension savings in case of emergencies in partnership with Ard Assets. As a result our clients will be able to resolve their cash flow problems with the loan from us based on their insurance, instead of spending their savings directly.

Investor Nation

Investor Nation JSC was formed as a joint venture between 560 individuals and legal entities, who came together via crowdfunding initiative on Facebook and decided to co-invest into their future in 2016. Since then it invested in roughly 7 percent of Ard Financial Group and started public trade of its stocks on MSE via reverse takeover deal with Jinst Uvs. The closing share price of JIV stood at MNT1,858 at the end of 2017 providing a hefty 85.8 percent return to our shareholders. The market value of the company reached MNT3.1 billion.

Ard Assets

The total assets of Ard Assets reached MNT1.4 billion, with 121 percent growth, while savings deposits increased by 157 percent, and loan portfolio rose by 50 percent. The number of members expanded by 22 percent compared to previous year reaching 922.

Within the reporting period, we executed several important modifications in the internal structure of

our savings and credit cooperative, its management, and the menu of services we offer; especially, we increased the savings volume and reduced the financing cost, by offering the first ever blanket deposit insurance for an unlimited term.

Ard Management

Ard Management provided fund management services to the group while helping manage real estate properties of Ard Financial Group and its subsidiaries.

The Board decided to establish a mutual investment fund dedicated to the privatization of state assets and the aim will be to raise MNT5 billion from the investors through the MSE. Accordingly, the business plan of this investment fund, growth projection, rules and procedures, are being developed and delivered to the FRC for a license.

Ard Bit

Ard Bit started opening cryptowallets to our shareholders and facilitated Bitcoin trading for the first time in Mongolia in cooperation with Xapo.com – the largest Bitcoin wallet. We enabled direct trading in MNT while offering research into crypto currencies and crypto markets. We help provide training and services to the investors of Ard Financial Group in the crypto space.



Shareholding Structure

#	Shareholders	number	Q4 2016	number	Q4 2017
1	Bathishig Hishigdorj	1,689,415	11.94%	1,689,415	11.24%
2	Luna And Luna	1,450,801	10.25%	1,333,154	8.87%
3	Bruno Raschle	1,302,016	9.20%	1,317,337	8.76%
4	Ventures One BV	1,304,043	9.21%	1,316,103	8.75%
5	Investor Nation	1,056,359	7.46%	1,052,998	7.00%
6	Ard Securities	-	-	820,910	5.46%
7	Ganhuyag Chuluun	1,132,000	8.00%	746,389	4.96%
8	Altan Horomsog	-	-	737,869	4.91%
9	Uyanga Galnyam	224,679	1.59%	596,037	3.96%
10	Ard Life	-	-	596,037	3.96%
11	Gereltuya Sedbazar	452,000	3.19%	452,000	3.01%
12	Ronoc Limited	305,697	2.16%	305,697	2.03%
13	Soronzonbold Lhagvasuren	306,710	2.17%	272,656	1.81%
14	Zoljargal Myagmarsuren	251,000	1.77%	248,945	1.66%
15	Chuluuntsetseg Dagvabaijir	157,903	1.12%	157,903	1.05%
16	Intergroup International	917,333	6.48%	-	-
17	MAK	873,000	6.17%	-	-
18	Delgerjargal Bayanjargal	170,000	1.20%	70,000	0.47%
	Total 15 (16) shareholders	11,592,956	81.92%	11,713,450	77.92%
	Other shareholders	2,558,495	18.08%	3,320,424	22.08%
	Voting shares	14,151,451	100%	15,033,874	100%
	Non-Voting shares	3,042,913		2,160,490	
	Total	17,194,364		17,194,364	

Income statement

(MNT million)	Q4 2015	Q4 2016	Q4 2017
Total income	146,597	2,668,713	3,863,548
Total expenses	979,537	1,822,685	2,732,466
Profit before tax	(636,067)	846,028	1,131,082
Tax	(53,575)	100,043	107,278
Profit after tax	(689,642)	745,986	1,023,805
Value change	-	2,707,839	4,642,380
Profit	(689,642)	3,453,825	5,666,190

Statement of financial position

(MNT million)	Q4 2015	Q4 2016	Q4 2017
Current assets	17,578,353	10,136,391	8,441,467
Non current assets	22,316,933	29,255,978	41,214,859
Total assets	39,895,286	39,392,369	49,656,326
Short term liabilities	5,889,185	1,593,890	2,470,179
Long term liabilities		352,512	4,073,993
Total liabilities	5,889,185	1,946,402	6,544,172
Equity	34,006,100	37,445,967	43,112,154

Board Members



BATBAYAR Purevjargal
Chairman of the Board



GANHUYAG Chuluun
Ard Financial Group JSC



BRUNO Raschle
Advek



MUNHNASAN Narmandah
Monpolymet LLC



OYUNGEREL Janchiv
Luna & Luna LLC



SORONZONBOLD Lhagvasuren
Trade and Development Bank



ODBAYAR Odonchimed

Mon-International LLC



BATHISHIG Hishigdorj

Hishig Arvin Industrial LLC



ANTHONY Hobrow

VenturesOne BV



Independent Auditor's report

**To: Shareholders of
Ard Financial group CJSC**

Opinions

We have audited the consolidated financial statements of ARD FINANCIAL GROUP CJSC which comprise the statements of financial position as of December 31, 2017, the statements of profit or loss and other comprehensive income, the statements of changes in equity, the statements of cash flow for the year then ended and the notes to the financial statements including highly significant accounting policies of ARD FINANCIAL GROUP CSJC and its component companies.

In our opinion, the consolidated statement of financial position, profit or loss and other comprehensive income, changes in equity and cash flow as of December 31, 2017 present fairly and are, in all material respects, in compliance with the International Financial Reporting Standards.

Opinion basis

We conducted our audit in accordance with the International Standards on Auditing (ISA). According to the standards, our responsibilities are stated in the auditor's responsibility for financial statement audit section of this financial statement. We have complied with ethical requirements of financial statements auditing in order to be independent from our customer and comply with ethical responsibilities and other obligations under these requirements.

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

Audit key issues

The audit key issues, that draw our best attention, are identified by our professional solution during the auditing of financial statements for the reporting year. The audit key issues are carefully considered during the conducting of our audit on financial statements and determining the type of audit opinion for financial statements. However, we do not provide separate opinion on these key issues.

Other information

The management is responsible for other information. Although other information comprises the information reported in the annual statement, the financial statements and auditor's report may not be included in the other information. Therefore, we do not express assurance over other information.

An audit includes reading the other information to consider whether these information are in compliance with the financial statements in material respect. If we have revealed that there is a misreporting in material respect in other information based on our work, an audit must disclose those misreporting. During the audit, such situation did not arise.

The responsibilities of the management and governing management for the financial statements

The management is responsible for preparation and fair presentation of financial statements in accordance with the IFRS, whereas these responsibilities include identifying the internal control relevant to the preparation and fair presentation of financial statements that are free from fraud and error incurred from material misstatement.

The management is responsible for conducting the operations in accordance with the principle of continuous financial statement preparation based on going concern and constantly evaluating the company's ability management financial statements, except the cases of insolvency, or ceasing its activities, and to have to disclose additional clarification relevant to continuity of the accounting basis used for accounting.

Corporate governance is responsible for supervision of the financial reporting process.

Auditor's responsibility in financial statement audit

Our goal is to prepare the auditor's report indicating our opinion with assurance that financial statements in whole that are free from fraud and error incurred from material misstatement. Most reasonable assurance is highest guarantee with high level of assurance, but it does not detect all misstatements upon audit conducted in accordance with ISA. If it is considered that error or fraud is in substantial amount, then it may influence the economic decisions of users of financial statements.

According to ISA, we had a professional skeptical approach throughout the audit. And we have performed the following tasks:

- We have assessed whether the financial statements have material misstatement incurred from fraud or error, undertaken audit procedures to determine its response, obtained sufficient appropriate audit evidence as basis for opinion. An alleged conspiracy to forging operations, and deliberate neglect, ignorance of internal controls has risks of not detecting material misstatements and misreporting, instead of one error.

- In order to develop appropriate audit procedures we have gained an understanding of the company's internal control system, but we have no intention to evaluate the effectiveness of internal control.
- We have assessed the appropriateness of the Company's accounting policies and accounting estimates and disclosures used.
- If the company has going concern which has a material uncertainty, then we will focus on in the relevant disclosure of financial statements. If this is enough to mention the relevant disclosures, we shall change our opinions. Our audit report related to the audit findings based on evidence until the date of the auditor's report. Therefore, their ability to influence the situation on a going concern basis the company may arise in the future.
- We reviewed the entire structure, content, presentation and disclosure of financial statements and assessed the accuracy of transactions and events financial statement presentation.

We had communicated with the governing management in regard of the audit scope, timing, and other related issues, and in addition to significant and important issues during the audit and the internal control weaknesses observed during the audit.

And we have notified governing management with the relevant ethical requirements regarding independence of the auditor, and discussed any relationships that may affect our independence, and possibilities of preventive measures, and other issues.

We have identified most important audit issues that are considered as most important and communicated with the governing management. We have shown in the auditor's report most important key issues, since public disclosure may result the negative consequences these foreseen by laws, and we have stated these in the auditor's report.

Other

This report is intended only for the company's shareholders in accordance with Article 94 of the Law on company and we shall not be liable to any third party in regard of this report framework.



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of December 31, 2017

(All amounts in MNT thousands)

ITEMS	Notes	2017.12.31	2016.12.31
ASSETS			
Current assets			
Cash and cash equivalents	5.1.	5,811,226.0	3,610,491.0
Trade and non-trade receivables	5.2.	2,483,398.0	2,397,530.0
Tax receivables	5.13.	14,826.0	111.0
Short-term loans	5.3.	7,871,822.0	4,378,686.0
Short-term investments	5.5.	2,908,681.0	1,005,045.0
Inventories	5.15.	41,991.0	64,731.0
Prepaid expense	5.14.	1,664,551.0	829,465.0
Assets held for sale	5.16.	1,626,929.0	3,097,600.0
Total current assets		22,423,424.0	15,383,659.0
Non-current assets			
Property, plant and equipment – net	5.17.	3,065,520.0	1,365,479.0
Intangible assets – net	5.18.	276,589.0	52,416.0
Immovable properties held as investment	5.19.		1,894,933.0
Goodwill	5.20.	6,187,485.0	5,488,569.0
Long-term loans	5.4.	1,893,162.0	5,038,698.0
Held-to-maturity financial assets	5.6.		821,781.0
Available-for-sale financial assets	5.7.	4,174,170.0	1,230,413.0
Investments in subsidiaries	5.8.	11,252,935.0	7,925,538.0
Total non-current assets		26,849,861.0	23,817,827.0
TOTAL ASSETS		49,273,285.0	39,201,486.0

LIABILITIES			
Short-term liabilities			
Trade and non-trade payables	5.9.	6,963,449.0	3,633,347.0
Loans from banks and financial institutions	5.12.	1,580,072.0	1,172,740.0
Finance lease payables	5.11.	34,471.0	31,326.0
Tax payables	5.13.	242,091.0	224,591.0
Reserve payables	5.22.	1,023,396.0	701,929.0
Unearned revenue	5.21.	3,996,100.0	3,021,361.0
Total short-term liabilities		13,839,579.0	8,785,294.0
Long-term liabilities			
Loans from banks and financial institutions	5.12.	60,347.0	200,000.0
Finance lease payables	5.11.	87,907.0	110,127.0
Bond payables	5.10.	4,484,783.0	
Deferred income tax payables	5.23.	64,328.0	56,038.0
Reserve payables	5.22.	641,253.0	641,253.0
Total long-term liabilities		5,338,618.0	1,007,418.0
TOTAL LIABILITIES		19,178,197.0	9,792,712.0
EQUITY			
Share capital	5.24.	1,879,653.0	1,879,653.0
Treasury stock	5.24.	(532,287.0)	(471,579.0)
Paid-in capital	5.24.	2,835,451.0	4,255,666.0
Other equity instruments	5.24.	13,799.0	13,799.0
Non-controlling interest	5.25.	966,542.0	1,058,351.0
Retained earnings	5.24.	24,931,930.0	22,672,884.0
Total equity		30,095,088.0	29,408,774.0
TOTAL LIABILITIES AND EQUITY		49,273,285.0	39,201,486.0



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

As of December 31, 2017

(All amount in MNT thousands)

ITEMS	Notes	2017.12.31	2016.12.31
Sales revenue	5.26.	9,540,892.0	16,985,596.0
Cost of goods sold	5.27.	(4,364,426.0)	(2,795,158.0)
Gross profit (loss)		5,176,466.0	14,190,438.0
Lease income	5.28.	117,065.0	17,401.0
Interest income	5.31.	1,679,710.0	1,136,891.0
Other income	5.28.	781,108.0	134,516.0
Salary and salary equivalent expense	5.29.	(2,826,719.0)	(2,576,487.0)
General administrative expense	5.30.	(3,237,011.0)	(3,399,495.0)
Interest expense	5.31.	(359,091.0)	(113,239.0)
Other expense	5.32.	(464,710.0)	(375,864.0)
Operating profit (loss)		866,818.0	9,014,161.0
Gain (loss) on foreign currency translation differences	5.31.	(197,595.0)	593,300.0
Gain (loss) on disposal of property, plant and equipment	5.33.	103,077.0	(201,176.0)
Gain (loss) on disposal of intangible assets			
Gain (loss) on sale of investments	5.33.	2,355,382.0	1,376.0
Other gain (loss)			
Profit (loss) before tax		3,127,682.0	9,407,661.0
Current income tax expense	5.34.	(319,554.0)	(230,000.0)
Profit (loss) after tax		2,808,128.0	9,177,661.0
Non-controlling interest expense	5.35.	(176,573.0)	(136,916.0)
Net profit of the group		2,631,555.0	9,040,745.0



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As of December 31, 2017

Indicator	Share capital	Paid-in capital	Treasury stock	Paid-in capital	Retained earnings	Other equity instruments	Non-controlling interest	Total
Balance at 31 December 2015	1,879,653.0	10,400,013.0	(522,791.0)	(5,547,966.0)	13,658,043.0	13,799.0	2,489,496.0	22,370,247.0
Error					(25,904.0)			(25,904.0)
Issued treasury stock			(311,363.0)	(5,673,395.0)				(5,984,758.0)
Offered treasury stock			362,575.0	5,077,014.0				5,439,589.0
Increased by merger							(1,568,061.0)	(1,568,061.0)
Profit for the year					9,040,745.0		136,916.0	9,177,661.0
Balance at 31 December 2016	1,879,653.0	10,400,013.0	(471,579.0)	(6,144,347.0)	22,672,884.0	13,799.0	1,058,351.0	29,408,774.0
Error							296,743.0	296,743.0
Issued treasury stock			(219,497.0)	(4,636,671.0)				(4,856,167.0)
Offered treasury stock			158,789.0	1,966,382.0				2,125,172.0
Purchased from non-controlling interest							(520,979.0)	(520,979.0)
Profit for the year					2,631,555.0		176,573.0	2,808,128.0
Issued dividends							(44,667.0)	(44,667.0)
of JINST UVS JSC					7,327.0		521.0	7,848.0
Disposal from ALTAN HOROM-SOG					27,067.0			27,067.0
Other adjustments				1,250,074.0	(406,904.0)			843,170.0
Balance at 31 December 2017	1,879,653.0	10,400,013.0	(532,287.0)	(7,564,562.0)	24,931,930.0	13,799.0	966,542.0	30,095,088.0

CONSOLIDATED STATEMENT OF CASH FLOW

As of December 31, 2017

(All amounts in MNT thousands)

ITEMS	2017.12.31	2016.12.31
1. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit (loss) before tax	3,127,682.0	9,407,661.0
Adjustments for:		
Depreciation expense	357,620.0	237,841.0
Non-controlling interest expense	(371,654.0)	(394,126.0)
Interest revenue	(3,185,919.0)	(1,610,034.0)
Interest expense	1,172,560.0	113,239.0
Non-monetary compensation expense	20,016.0	
Gain (loss) on foreign currency translation	(13,001.0)	(593,300.0)
Gain (loss) on sale of property, plant and equipment	(97,839.0)	
Gain on sale of investment	(524,039.0)	(7,205,197.0)
Loss on sale of investment	10,879.0	
Debt risk reserve expense	7,823.0	
Loan risk reserve expense	132,768.0	131,478.0
Bad debt risk reserve expense	73,170.0	3,099.0
Adjustment for fair value of financial assets	(369,182.0)	
Gain (loss) on disposal of property, plant and equipment	(1,480.0)	264,641.0
Other non-monetary revenue	(251,486.0)	
Cash expense used in operating activities	87,917.0	355,302.0
Increase (decrease) in inventories	(117,785.0)	(33,218.0)
Increase (decrease) in prepaid expense	(3,627,233.0)	(212,516.0)
Increase (decrease) in trade and non-trade receivables	(3,376,075.0)	9,082,800.0
Increase (decrease) in trade and non-trade payables	1,318,012.0	(7,383,071.0)

Other changes	(176,047.0)	(142,071.0)
Cash income generated from operating activities	(5,891,211.0)	1,667,226.0
Interest paid	(42,241.0)	(164,643.0)
Income tax paid	(154,252.0)	(167,012.0)
Interest paid in cash	2,131,002.0	1,575,978.0
Cash flows from operating activities – net	(3,956,703.0)	2,911,549.0
2. CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment and intangible assets	(271,679.0)	(1,063,434.0)
Proceeds from sale of property, plant and equipment and intangible assets	221,816.0	555,848.0
Proceeds from sale of equity investments	7,935,263.0	146,872.0
Acquisition of equity investments	(7,730,127.0)	(6,071,707.0)
Loans to borrowers	(453,618.0)	(3,269,258.0)
Repayment of loans to borrowers	401,823.0	907,329.0
Cash flows from investing activities - net	103,480.0	(8,794,350.0)
3. CASH FLOWS FROM FINANCING ACTIVITIES		
Issued share capital		3,083,009.0
Issued bonds	1,743,000.0	
Repayment of issued bonds	(25,000.0)	
Loans from banks and financial institutions	7,811,218.0	1,740,650.0
Repayment of loans from banks and financial institutions	(3,418,691.0)	(1,247,858.0)
Issued dividends	(152,200.0)	
Non-controlling interest	(1,552.0)	(1,568,060.0)
Cash flows from financing activities – net	5,956,776.0	2,007,741.0
Changes in currency exchange rate – net	97,181.0	
Cash flows – net	2,200,735.0	(3,875,060.0)
Cash and cash equivalents at 1 January	3,610,491.0	7,485,551.0
Cash and cash equivalents at 31 December	5,811,226.0	3,610,491.0



STATEMENT OF FINANCIAL POSITION

As of December 31, 2017

(All amount in MNT thousands)

Items	Notes	2017.12.31.	2016.12.31.
ASSETS			
Current assets			
Cash and cash equivalents	5.1	689,066.4	166,192.2
Trade and other receivables	5.2	4,784,621.0	4,398,467.1
Long-term loan receivables	5.2	2,015,297.7	5,151,485.4
Short-term loan receivables	5.2	470,036.1	159,298.5
Short-term investments	5.3	107,539.5	49,695.2
Tax receivables	5.7	14,726.0	95.2
Inventories	5.9	23,175.5	31,718.5
Prepaid expense	5.8	423,914.0	179,438.9
Assets held for sale	5.4	1,220,000.0	3,000,000.0
Total current assets		9,748,376.2	13,136,391.0
Non-current assets			
Property, plant and equipment - net	5.10	627,821.1	676,748.5
Intangible assets - net	5.11	246,216.5	17,560.7
Equity instruments	5.5	39,033,912.6	25,561,668.3
Total non-current assets		39,907,950.2	26,255,977.5
TOTAL ASSETS		49,656,326.3	39,392,368.2
LIABILITIES			
Short-term liabilities			
Trade and other payables	5.6	1,300,720.0	766,981.4
Short-term loan payables	5.6	1,080,072.9	742,334.7
Current income tax payables	5.7	67,354.4	84,573.8
Unearned revenue	5.7	22,032.0	-

Total short-term liabilities		2,470,179.3	1,593,889.7
Long-term liabilities			
Long-term loans	5.6	2,781,782.5	-
Deferred income tax payables	5.12	1,292,210.5	352,511.6
Total long-term liabilities		4,073,993.0	352,511.6
TOTAL LIABILITIES		6,544,172.3	1,946,401.3
EQUITY			
Share capital	5.13	1,879,652.8	1,879,652.8
Treasury stock	5.13	(160,216.4)	(160,216.4)
Paid-in capital	5.13	9,929,060.7	9,929,060.7
Fair value reserve	5.13	7,350,220.9	2,707,838.6
Other equity instruments	5.13	13,799.1	13,799.1
Retained earnings	5.13	24,099,636.9	23,075,832.2
TOTAL EQUITY		43,112,154.0	37,445,967.0
TOTAL LAIBILITIES AND EQUITY		49,656,326.3	39,392,368.3



STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

As of December 31, 2017

(All amounts in MNT thousands)

Items	Notes	2017.12.31	2016.12.31
Sales revenue	5.15	2,088,000.0	11,795,101.6
Cost of goods sold		-	(10,013,092.4)
Gross profit (loss)		2,088,000.0	1,782,009.2
Sales and marketing expense	5.16	(201,182.3)	(135,270.0)
General administrative expense	5.17	(1,561,686.3)	(986,380.5)
Employee related expense	5.17	(565,232.3)	(564,232.9)
Other expense	5.17	(10,339.3)	
Operating profit (loss)		(250,440.1)	96,125.8
Non-operating income (expense)	5.16	645,854.2	89,418.4
Finance income (costs) - net	5.14	735,668.1	842,420.1
Other gain (loss)		-	(3,099.5)
Profit (loss) before tax		1,131,082.2	846,028.0
Income tax expense	5.18	(107,277.6)	(100,042.0)
Profit (loss) for the year – net		1,023,804.6	745,986.0
Other comprehensive income			
Change in value of investments at fair value		5,500,841.0	3,010,452.0
Deferred tax expense		(858,458.7)	(302,613.0)
Other gain (loss)			
Total comprehensive income		5,666,186.9	3,453,825.0
Earnings per share		60.54	44.05



STATEMENT OF CHANGES IN EQUITY

As of December 31, 2017

Items	Share capital	Treasury stock	Treasure stock premium	Paid-in capital	Fair value reserve	Retained earnings	Other equity instruments	Total equity
Share capital		(160,216.4)	(512,083.5)	10,441,144.0	-	22,343,804.9	13,799.1	34,006,100.9
Treasury stock								
Treasure stock premium		(160,216.4)	(512,083.5)	10,441,144.0	-	22,343,804.9	13,799.1	34,006,100.9
Paid-in capital	Fair value reserve	Retained earnings	Other equity instruments	Total equity		745,986.0		745,986.0
Balance at 31 December 2015	1,879,652.8	(160,216.4)	(512,083.5)	10,441,144.0	-	22,343,804.9	13,799.1	34,006,100.9
Impact of change in accounting policy								
Restated balance	1,879,652.8	(160,216.4)	(512,083.5)	10,441,144.0	-	22,343,804.9	13,799.1	34,006,100.9
Profit (loss) for the year, as restated						745,986.0		745,986.0
Increase (decrease) in fair value revaluation reserve					2,707,838.6			2,707,838.6
Error						(13,958.0)		(13,958.0)
Balance at 31 December 2016	1,879,652.8	(160,216.4)	(512,083.5)	10,441,144.0	2,707,838.6	23,075,832.9	13,799.1	37,445,967.5
Impact of change in accounting policy								
Restated balance	1,879,652.8	(160,216.4)	(512,083.5)	10,441,144.0	2,707,838.6	23,075,832.9	13,799.1	37,445,967.5
Profit (loss) for the year, as restated						1,023,804.6		1,023,804.6
Increase (decrease) in fair value revaluation reserve					4,642,381.9			4,642,381.9
Balance at 31 December 2017	1,879,652.8	(160,216.4)	(512,083.5)	10,441,144.0	7,350,220.5	24,099,637.5	13,799.1	43,112,154.0

STATEMENT OF CASH FLOW

As of December 31, 2017

(All amounts in MNT thousands)

Items	2017.12.31	2016.12.31
1. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit (loss) before tax	1,131,082.2	846,028.0
Adjustments for:		
Depreciation expense	206,914.6	141,598.0
Interest revenue	(529,601.7)	(478,909.0)
Interest expense	394,026.1	107,809.0
Gain (loss) on foreign currency translation	(12,271.7)	(89,186.0)
Gain on sale of investments	(524,039.6)	-
Loss on sale of investment	10,879.2	-
Bad debts expense	135.1	-
Loss on disposal of property, plant and equipment	11,367.0	(1,490.0)
Cash expense used in operating activities	688,491.1	525,850.0
Increase (decrease) in inventories	8,542.9	(26,163.0)
Increase (decrease) in prepaid expense	(43,568.2)	74,403.0
Increase (decrease) in trade and other receivables	(3,043,261.4)	10,805,792.0
Increase (decrease) in trade and other payables	150,017.1	(5,750,478.0)
Cash income generated from operating activities	(2,239,778.5)	5,629,404.0
Interest paid	543,595.1	478,909.0
Income tax paid	(73,775.3)	(57,945.0)
Interest paid in cash	(412,263.8)	(79,759.0)

Cash flows from operating activities – net	(2,182,222.4)	5,970,609.0
2. CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(17,074.3)	(10,475.0)
Acquisition of intangible assets	-	(15,386.0)
Proceeds from sale of equity investments	40,000.0	-
Acquisition of equity investments	(179,795.0)	(5,021,643.0)
Loans to borrowers	(453,617.6)	(4,638,553.0)
Repayment of loans to borrowers	401,823.4	1,781,523.0
Cash flows from investing activities – net	(208,663.5)	(7,904,534.0)
3. CASH FLOWS FROM FINANCING ACTIVITIES		
Loans from lenders	4,022,821.7	1,760,000.0
Repayment of loans from lenders	(1,198,951.9)	1,018,271.0
Cash flows from financing activities – net	2,823,869.8	741,729.0
Changes in currency exchange rate – net	522,873.0	30,268.0
Cash flows – net	89,889.8	(1,161,928.0)
Cash and cash equivalents at 1 January	166,192.0	1,328,120.0
Cash and cash equivalents at 31 December	689,065.6	166,192.0



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