“EIT”
(Ard Financial Group)
Limited Liability Company

FINANCIAL STATEMENTS
for the year ended 31 December 2013

CORPORATE INFORMATION

Incorporation decision	"EIT" LLC ("the Company") was incorporated as a Limited Liability Company in accordance with the shareholders' decision dated 10 October 2005.
Certificate and Special License	"EIT" LLC was registered to State Registration Office and granted the State Registration Certificate No. 9011036140 with the registration No. 5024145 on 18 October 2005.

Major Shareholders

Ganhuyag Chuluun	15.47%
UBIG LLC	10.67%
Apollo Ventures LLC	9.37%
MAK LLC	6.34%
Luna & Luna LLC	5.54%
Soronzonbold Lkhagvasuren	5.17%
Others	47.44%

Board of Directors

Ch. Ganhuyag, *Chairman of BOD*
M. Sergelen, *Member of BOD*
L. Soronzonbold, *Member of BOD*
B. Ganbat, *Member of BOD*
G. Tsogbadrakh, *Member of BOD*
A. Batbold, *Member of BOD*
S.Gereltuya, *Member of BOD*
J.Oyungerel, *Member of BOD*
B. Nemekhbaatar, *Member of BOD*
N. Tselmuun, *Member of BOD*

Executives

A. Batbold, *Executive Director*

Registered office

EIT LLC
403, City Center Building,
Altangerel street, Sukhbaatar district, Ulaanbaatar,
Mongolia 14200

Auditors

BDO Audit LLC
10th Floor, AB Centre Building
University Street 32/1, 6th Khoroo,
11th Sub-district, Sukhbaatar District,
Ulaanbaatar, Mongolia

Statement of Management's Responsibilities
for the preparation and approval of financial statements
for the year ended 31 December 2013

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 the Management of EIT LLC (the "Company") and those of the independent auditor in relation to the Company's financial statements for the year ended 31 December 2013.

The Management of the Company is responsible for the preparation of the financial statements that present fairly the financial position of the Company as of 31 December 2013, and the results of its operations, cash flows and changes in equity for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and Accounting Law of Mongolia, regulation and guidelines that are effect in Mongolia.

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

- Selecting suitable accounting principles and applying them consistently;
- Making judgments and estimates that are reasonable and prudent;
- Stating whether IFRS have been followed, subject to any material departures disclosed and explained in the financial statements;
- Preparing the financial statements on a going concern basis, unless it is inappropriate to presume that the Company will continue in business for the foreseeable future.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls throughout the Company;
- Maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Company, and which enable them to ensure that the financial statements of the Company comply with IFRS;
- Maintaining statutory accounting records in compliance with legislation and accounting guidelines issued by the Financial Regulatory Commission of Mongolia and Ministry of Finance of 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.

On behalf of the Company's management the financial statements for the year ended 31 December 2013 were authorized for issue on __ ____________ 20__ by:

______________________________	______________________________
A. Batbold	**T. Battsengel**
Executive Director	*Accountant*

Date: _________________________

Ulaanbaatar, Mongolia

INDEPENDENT AUDITOR'S REPORT

TO: SHAREHOLDERS OF "EIT" LIMITED LIABILITY COMPANY

We have audited the accompanying financial statements of "EIT" Limited Liability Company ("the Company"), which comprise of the statement of financial position as of 31 December 2013, the statement of profit or loss and comprehensive income, statement of changes in equity and cash flow statement for the year ended 31 December 2013, and other explanatory notes to the financial statements and a summary of significant accounting policies, as set out on pages 5 to 47.

Management's Responsibility for the Financial Statements

The Management of the Company is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

INDEPENDENT AUDITOR'S REPORT (continued)

Audit opinion

In our opinion, the financial statements of "EIT" LLC present fairly, in all material respects, the financial position of the Company as of 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") issued by the International Financial Reporting Standard Board (the "IFRSB").

Other matters

We have been engaged to audit the financial statements of EIT LLC for the year ended 31 December 2013 and the financial statements of the Company for the year ended 31 December 2012 were reviewed by another audit firm, who expressed unmodified opinion on these financial statements in review engagement report dated 26 March, 2013. We did not perform any audit procedures to the comparative figures of 2013, accordingly, we do not express an opinion or any other form of assurance on the financial statements for the year ended 31 December, 2012 taken as a whole.

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BDO Audit LLC
Ulaanbaatar, Mongolia
Special License: 009-1997

Date: ________________

EIT (Equity Investment Trust)
Limited Liability Company

STATEMENT OF PROFIT OR LOSS and OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2013

	Notes	2013 MNT'000	2012 MNT'000
Revenue from service rendered	**7**	627,600	320,464
Cost of service		-	-
Gross margin		**627,600**	**320,464**
Gains of fair value revaluation on financial assets at fair value through profit and losses		16,311,852	1,957,459
General and administrative expenses	**8**	(387,641)	(303,137)
Non-operating income	**9**	19,238	13,127
Finance costs	**10**	(426,583)	(296,076)
Other gains/losses		-	(3,567)
Profit before tax		**16,144,466**	**1,688,270**
Income tax expense	**11**	(8,127)	(20,791)
Deferred tax expenses	**11**	(4,077,963)	(489,365)
Profit for the year		**12,058,376**	**1,178,114**

The notes set out on pages from 9 to 47 form an integral part of these financial statements.

EIT (Equity Investment Trust)
Limited Liability Company

STATEMENT OF FINANCIAL POSITION
as at 31 December 2013

	Notes	At 31 Dec 2013 MNT'000	At 31 Dec 2012 MNT'000
ASSETS			
Non-current assets			
Property, plant and equipment	**12**	348,472	358,606
Financial assets at fair value through profit and losses	**13**	31,499,654	15,647,429
Total non-current assets		**31,848,126**	**16,006,035**
Current assets			
Loan to subsidiaries	**14**	535,948	244,234
Loans to non-related parties	**15**	586,200	556,989
Prepayments	**16**	306,738	155,884
Inventories		16	3,010
Trade and other receivables	**17**	116,010	462,626
Cash and cash equivalents	**18**	182,868	209,802
Total current assets		**1,727,780**	**1,632,546**
TOTAL ASSETS		**33,575,906**	**17,638,580**
EQUITIES AND LIABILITIES			
Equity			
Share capital (Ordinary shares)	**19**	1,703,147	1,703,147
Treasury shares	**19**	(326,929)	(260,748)
Share premium	**20**	3,246,555	3,303,839
Retained earnings		18,420,820	6,554,083
Other equity instruments	**21**	13,799	13,799
Total Equity		**23,057,392**	**11,314,120**
Liabilities			
Long-term liabilities			
Long-term borrowings	**22**	210,999	3,636,280
Long-term financial lease payable	**23**	198	12,594
Total long-term liabilities		**211,198**	**3,648,874**
Current liabilities			
Current portion of long-term borrowings	**22**	2,042,055	
Current portion of long-term lease	**23**	24,793	12,396
Trade and other payables	**24**	2,449,893	957,703
Income tax payable		7,452	65
Other current liabilities		136,180	136,441
Deferred tax payable	**25**	5,646,944	1,568,981
Total current liabilities		**10,307,316**	**2,675,586**
Total liabilities		**10,518,514**	**6,324,460**
TOTAL EQUITY AND LIABILITIES		**33,575,906**	**17,638,580**

The notes set out on pages from 9 to 47 form an integral part of these financial statements.

EIT (Equity Investment Trust)
Limited Liability Company

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2013

	Share capital MNT'000	Treasury stock MNT'000	Share premium MNT'000	Retained earnings MNT'000	Other equity instrument MNT'000	TOTAL MNT'000
Balance at 01 January 2012	**1,592,689**	**-**	**2,700,450**	**337,120**	**13,799**	**4,644,058**
Fair value adjustment				5,038,850		5,038,850
Restated balance at 01 January 2012	**5,375,969**		**2,700,450**	**5,375,969**	**13,799**	**9,682,908**
Issued share capital	110,458	(260,748)	603,389	-	-	453,099
Net profit for the year	-	-	-	1,178,114	-	1,178,113
Balance at 31 December 2012	**1,703,147**	**(260,748)**	**3,303,839**	**6,554,083**	**13,799**	**11,314,120**
Repurchase the shares		(77,069)	(155,107)	(191,639)		(423,815)
Issued treasury stock	-	10,888	97,823		-	108,711
Net profit for the year	-	-	-	12,058,376	-	12,058,376
Balance at 31 December 2013	**1,703,147**	**(326,929)**	**3,246,555**	**18,420,820**	**13,799**	**23,057,392**

The notes set out on pages from 9 to 47 form an integral part of these financial statements.

EIT (Equity Investment Trust)
Limited Liability Company

STATEMENT OF CASH FLOWS
for the year ended 31 December 2013

	For 2013 MNT'000	For 2012 MNT'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit before tax	**16,144,465**	**1,688,270**
Adjustment for:		
Depreciation and amortization	11,467	15,629
Interest income	(45,529)	-
Interest expenses	226,292	209,170
Gains from trading of foreign currency	(4,952)	
Gains from trading of stocks		(42,975)
Foreign exchange difference	77,035	(2,228)
fair value revaluation on financial assets at fair value through profit and losses	(16,311,852)	(1,957,459)
Operating profit before changes in working capital	**96,926**	**(89,593)**
Changes in working capital:		
Financial assets at fair value through profit and losses	149,475	1,469,719
Other assets	198,756	(398,807)
Other payables	1,491,928	453,158
	1,937,085	**1,434,477**
Interests received	25,753	14,468
Interests paid	(235,596)	(209,543)
Income tax paid	(739)	(42,061)
Net cash provided by operating activities	**1,726,503**	**1,197,341**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property, plant and equipment	**(1,333)**	**(812)**
Net cash flows from investing activities	**(1,333)**	**(812)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	713,847
Loans to subsidiary	(532,525)	(244,234)
Repayment of loan to subsidiary	296,117	256,225
Proceeds from borrowing	-	280,000
Repayment of borrowing	(1,515,696)	(2,008,281)
Net cash flows from financing activities	**(1,752,104)**	**(1,002,443)**
Total net cash flows	**(26,934)**	**194,086**
Cash and cash equivalents at the beginning of the year	**209,802**	**15,716**
Cash and cash equivalents at the ending of the year	**182,868**	**209,802**

The notes set out on pages from 9 to 47 form an integral part of these financial statements.

These notes form an integral part of, and should be read in conjunction with, the accompanying financial statements.

1. Principal activities and organization

"EIT" LLC ("the Company") was incorporated as a Limited Liability Company in accordance with the shareholders' decision dated 10 October 2005.

"EIT" LLC was registered to State Registration Office and granted the General State Registration Certificate No. 9011036140 with the registration No.5024145 on 18 October 2005.

The Company's principal activities are the investment and business consultancy, as of 31 December 2013 had 368 shareholders, 5 subsidiaries and 3 associates.

2. Basis of financial statement preparation and presentation

a) Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board (IASB). The financial statements have been prepared on a historical-cost basis, except for financial assets and financial liabilities held at fair value through profit or loss.

b) Basis of financial statement preparation

i. General basis of accounting

The financial statements have been prepared in accordance with the historical cost convention, presented in Mongolian National Tugrugs rounded to nearest thousand.

ii. Going concern

These financial statements were prepared on a going concern assumption. The validity of the going concern assumption fundamentally depends on the Company's maintenance in existence as a going concern for the foreseeable future

c) Basis of consolidation

The Company is an investment entity and, as such, does not consolidate the entities it controls. Instead, interests in subsidiaries are classified as financial assets at fair value through profit or loss, and measured at fair value. Investments in associates are also classified as financial assets at fair value through profit or loss, and measured at fair value.

3. Critical accounting assumptions, estimates and judgements

3.1 Application of estimates and assumptions

The preparation of the financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as at the date of the financial statements preparation, and the reported amounts of revenues and expenses during the reporting period. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Estimates and judgements are regularly reviewed. Changes in Accounting Estimates are accounted for prospectively in the financial statements in the period when the changes are occurred, in the case that the effects of the change are incorporated in the period of changes or affect in future periods.

In the future, actual experience may differ from these estimates and assumptions.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a) Impairment of assets

The carrying amounts of assets or cash-generating unit are reviewed at each reporting date to determine whether there is any indication of impairment. Impairment is considered if the fair value of assets or cash generating unit generated from its use or sales is lower than its carrying amount. Fair value is determined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

b) Deferred tax assets returns

Deferred tax assets are recognized in the statement of financial position using the effective tax rate as assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. In accordance with the Corporate Income Tax Law of Mongolia, current taxable loss for infrastructure and mining industry will be carried forward to future 4-8 years depending on the investments made within current and prior 3 sequential years without any restrictions and for other industries, current taxable loss will be carried forward to following 2 years no less than 50 percent of taxable income for the years. During this period, deferred tax assets not utilized will be recognized as losses in the last year of returns.

c) Contingent situation

If there is one or more uncertain events might occur in future, those are reflected as contingent situation. Use of conclusion and application of effective judgments on results from future events are estimates which determine whether contingent situation exists.

3.Critical accounting assumptions, estimates and judgements (continued)

d) Fair value of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. The estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the statement of financial position and the level where the instruments are disclosed in the fair value hierarchy (Note 13). The models are tested for validity by calibrating to prices from any observable current market transactions in the same instrument (without modification or repackaging) when available.

3.2 Judgements

The management should consider the following judgement which have the most significant effect on amounts recognized in the financial statements.

e) Assessment as investment entity

Entities that meet the definition of an investment entity within IFRS 10 are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds's from one or more investors for the purpose of providing those investors with investment services
- An entity that commits to its investors that its business purpose is to invest Company's solely for returns from capital appreciation, investment income or both
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis

The Company's prospectus details its objective of providing investment management services to investors which includes investing in equities, private equity and property investments for the purpose of returns in the form of investment income and capital appreciation.

4. New standards, amendments and interpretations

Certain new standards, amendments and interpretations were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting years beginning after 1 January 2013 or later years.

i) New standards, amendments and interpretations are effective from 1 January 2013

- IFRS 10 *Consolidated Financial Statements*. The objective of IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. It replaces all of the guidance on control and consolidation in IAS 27 "Consolidated and Separate Financial Statements" and SIC-12 "Consolidation - Special Purpose Entities" and defines the principle of control, and establishes controls as the basis for consolidation. IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. New definition of control contains three elements:

  (a) Power over an investee,
  (b) Exposure, or rights, to variable returns from its involvement with the investee, and
  (c) The ability to use its power over the investee to affect the amount of the investor's returns

  All three of these criteria must be met for an investor to have control over investee. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

  The application of IFRS 10 has not had any significant effect on the preparation and presentation of the Company's financial statements and there has no reconciliation in regards with the application of new standard was made to the financial statements for the year ended 31 December 2013.

- IFRS 11 *Joint Arrangements* replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities - Non-Monetary Contributions by Ventures*. Previously, IAS 31 contained three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets.

  Under IFRS 11, there are only two types of joint arrangements. The type of classification depends on the rights and obligations of the parties to the joint arrangements. These types are:
  - Joint operation is an arrangement where the investors have rights for the assets and obligations for the liabilities of the arrangement. The party to a joint operation accounts for its share of the assets, liabilities, revenue and expenses.
  - Joint venture is an arrangement, where the investors have rights to the net assets of the arrangement. Investments in joint ventures are accounted for under the equity method.

Proportional consolidation of joint arrangements is no longer allowed.

4. New standards, amendments and interpretations (continued)

i) New standards, amendments and interpretations are effective from 1 January 2013 (continue)

- IFRS 12 *Disclosure of Interest in Other Entities.* IFRS 12 sets out the disclosure requirements relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The standard requires a reporting entity to disclose information that helps users to assess the nature and financial effects of the reporting entity's relationship with other entities.

  As the new standard affects only disclosure, there is no effect on the Company's financial position or performance.

- IFRS 13 *Fair Value Measurement* aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements provide the guidance on how fair value accounting should be applied. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs.

- IAS 1 *Presentation of Financial Statements* was amended to change the grouping of items presented in other comprehensive income (OCI). The amendment requires that items of OCI must be grouped into two sections:
  - Those that will or may be reclassified into profit or loss
  - Those that will not.

  The amendments also introduce new terminology - the "statement of comprehensive income" is renamed as "statement of profit or loss and other comprehensive income", but the use of the new terminology is not obligatory.

  As the amendment only affects presentation, there is no effect on the Company's financial position or performance.

- IAS 19 *Employee Benefits'* main changes as a consequence of the revision include
  - Elimination of the 'corridor' approach for deferring gains/losses for defined benefit plans
  - Actuarial gains/losses on re-measuring the defined benefit plan obligation/asset to be recognized in other comprehensive income rather than in profit or loss, and can not be reclassified in subsequent periods
  - Amendments to the timing of recognition for liabilities for termination benefits
  - Employment benefits *expected* to be settled (as opposed to 'due to be settled') wholly within 12 months after the end of the reporting period are short-term benefits, and are not discontinued.

4. New standards, amendments and interpretations (continued)

i) New standards, amendments and interpretations are effective from 1 January 2013 (continued)

- IFRIC Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine* (Issued in October 2011 and effective for annual periods beginning on or after 1 January 2013). This Interpretation provides guidance on the accounting for stripping costs incurred in the production phase of a surface mine. The interpretation addresses the accounting for the benefit from the stripping activity.

- Amendments to IFRS 7 *Offsetting Financial Assets and Financial Liabilities and the Related Disclosures* (Issued in December 2011 and effective for annual periods beginning on or after 1 January 2013). Applied retrospectively

  The amendments to IFRS 7 require an entity to disclose information about rights to set-off and related arrangements (such as collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognized financial instruments that are set off in accordance with IAS 32 *Financial Instruments: Presentation*.

  The disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32.

ii) Annual improvements to IFRSs issued in May 2012 and effective for annual periods beginning on or after 1 January 2013

- IAS 16 *Property Plant and Equipment* – Classification of servicing equipment. This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

  The application of the amendment to IAS 16 has not had any effect on the financial statements of the Company.

- IAS 32 *Financial Instruments: Presentation* – Tax effects of distributions to holders of equity instruments. This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 *Income Taxes*.

- IAS 1 *Presentation of Financial Statements – Clarification of the requirement for comparative information* -This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period.

4. New standards, amendments and interpretations (continued)

iii) New standards, amendments, interpretations and annual improvements are effective for annual periods beginning on or after 1 January 2014

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 1 *First-time Adoption of International Financial Reporting Standards*. Which IFRSs an entity is able to apply when preparing its IFRS financial statements in accordance with IFRS 1, and will be effective from 1 July 2014, (annual improvement).

- IFRS 3 *Business Combinations*. The scope of IFRS 3 in respect of the formation of a joint arrangement in the financial statements of the joint arrangement itself, and will be effective from 1 July 2014 (annual improvement).

- IFRS 7 *Financial Instruments: Disclosure*, IFRS 9 *Financial Instruments* will be effective for annual periods beginning on or after 01 January 2015.

- IFRS 9 *Financial Instruments* is part of the IASB's wider project to replace IAS39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after 1 January 2015.

- IFRS 13 *Fair Value Measurement*. The scope of the portfolio exemption (IFRS 13.52) in respect of items that have offsetting positions in market and/or counterparty credit risk that are recognized and measured in accordance with IAS 39/ IFRS 9, and will be effective from 1 July 2014 (annual improvement).

- Amendments to IFRS 10, IFRS 12 and IAS 27. Amendments provide an exception to the consolidation requirements in IFRS 10 and require investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendments also set out disclosure requirements for investment entities. Applied retrospectively.

- IAS 32 was amended to clarify the meaning of —currently has a legally enforceable right to set-off. The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems such as central clearing house systems which apply gross settlement mechanisms that are not simultaneous. The Company will adopt the standard for the annual period beginning on 1 January 2014. Applied retrospectively.

4. New standards, amendments and interpretations (continued)

iii) New standards, amendments, interpretations and annual improvements are effective for annual periods beginning or after 1 January 2014 (continued)

- IAS 36 *Impairment,* amendment made on the requirement to disclose the recoverable amount of non-financial assets, and is effective for annual periods beginning on or after 1 January 2014.
- IAS 39 *Financial instruments: Recognition and measurement,* new article about derivative instruments was added to the standard, is effective for annual periods beginning on or after 1 January 2014.
- IAS 40 *Investment Property.* Determining whether the acquisition of an investment property is a business combination that should be accounted for in accordance with IFRS 3, with specific reference made to owner-occupied property, and will be effective from 1 July 2014 (annual improvement).
- IFRIC 21 *Levies* (Issued in May 2013 and effective for annual periods beginning on or after 1 January 2014). Applied retrospectively.

There are no other IFRSs and IFRIC interpretations, and amendments that are not yet effective that would be expected to have a material impact on the Company's future financial statements.

5. Summary of significant accounting policies

The following significant accounting policies were adopted in preparation of these financial statements of the Company:

a) 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.

b) Financial instruments

(i) ***Classification***

The Company classifies its financial assets and financial liabilities at initial recognition into the following categories, in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*.

Financial assets and liabilities at fair value through profit or loss
The category of financial assets and liabilities at fair value through the profit or loss is sub-divided into:

- *Financial assets and liabilities held for trading*: financial assets are classified as held for trading if they are acquired for the purpose of selling and/or repurchasing in the near term. This category includes equities, debentures and other interest bearing investments and derivatives. These assets are acquired principally for the purpose of generating a profit from short-term fluctuations in price. All derivatives, debentures and liabilities from short sales of financial instruments are classified as held for trading.

- *Financial instruments designated as at fair value through profit or loss* upon initial recognition: these include investment in subsidiaries and investment in associates. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets which are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Company.
    - *Investment in subsidiaries*: In accordance with the exception under IFRS 10 Consolidated Financial Statements, the Company does not consolidate subsidiaries in the financial statements. Investments in subsidiaries are accounted for as financial instruments at fair value through profit or loss.
    - *Investment in associates*: In accordance with the exemption within IAS 28 Investments in Associates and Joint Ventures, the Company does not account for its investment in associates using the equity method. Instead, the Company has elected to measure its investment in associates at fair value through profit or loss.

5. Summary of significant accounting policies (continued)

b) Financial instruments (continued)

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company includes in this category amounts relating to reverse repurchase agreements, cash collateral on securities borrowed and other short-term receivables.

Other financial liabilities
This category includes all financial liabilities, other than those classified as held for trading. The Company includes in this category amounts relating to repurchase agreements, cash collateral on securities lent and other short-term payables.

(ii) ***Recognition***

The Company recognises a financial asset or a financial liability when it becomes a party to the contractual provisions of the instrument.

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

(iii) ***Initial measurement***

Financial assets and financial liabilities at fair value through profit or loss are recorded in the statement of financial position at fair value. All transaction costs for such instruments are recognised directly in profit or loss.

Derivatives embedded in other financial instruments are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract, and the host contract is not itself classified as held for trading or designated as at fair value through profit or loss.

Embedded derivatives separated from the host are carried at fair value with changes in fair value recognised in profit or loss.

Loans and receivables and financial liabilities (other than those classified as held for trading) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

For financial assets and liabilities where the fair value at initial recognition does not equal the transaction price, the Company recognises the difference in the statement of comprehensive income, unless specified otherwise.

5. Summary of significant accounting policies (continued)

(iv) ***Subsequent measurement***

After initial measurement, the Company measures financial instruments which are classified as at fair value through profit or loss, at fair value. Subsequent changes in the fair value of those financial instruments are recorded in net gain or loss on financial assets and liabilities at fair value through profit or loss. Interest and dividend earned or paid on these instruments are recorded separately in interest revenue or expense and dividend revenue or expense.

Loans and receivables are carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Financial liabilities, other than those classified as at fair value through profit or loss, are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, as well as through the amortisation process.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instruments, but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

(v) ***Derecognition***

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognised where the rights to receive cash flows from the asset have expired or the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and either:

the Company has transferred substantially all the risks and rewards of the asset; Or
the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Company has transferred its right to receive cash flows from an asset (or has entered into a pass-through arrangement), and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. The Company derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

5. Summary of significant accounting policies (continued)

c) 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.

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)

5. Summary of significant accounting policies (continued)

d) Impairment of financial assets

At each reporting date the company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired is there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated cash flows of the financial assets or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and when observable data indicate that there is a measureable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.
For the financial assets carried at amortised cost, the Company first assesses whether objective evidence of impairment exists individiually for financial assets that are individually significant, or collectively for financial assets that not individually significant.

If the Company determines that no objective evidence of impairment exists for an individually assessed financial assets, whether significant or not, it includes the asset in the group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying value and present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has variable interest rate, the discounted rate for measuring any impairment loss is the current effective rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the statement of profit or loss and other comprehensive income. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company.
If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss and other comprehensive income..

The present value of the estimated future cash flows is discounted at financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

5. Summary of significant accounting policies (continued)

e) Property, plant and equipment

i) Classification of fixed assets

Assets which can be used for more than one year, period of use is limited, be used in main business activities such as production, service, rental and administration, not held for re-sale, and its initial cost is charged to expense on the basis of depreciation are classified non-current assets.

ii) Initial recognition and measurement

The property, plant and equipment recognizes as cost. The cost of property, plant and equipment comprises its purchase price, and any costs directly attributable to bringing the asset to their present location and condition necessary for it. The other costs directly attributable include handling charges, transportation costs, installation costs and customs duty paid.

Property, plant and equipment purchased in foreign currency are measured at cost translating into official rates of exchange of Mongol bank ruling at the transaction date.

Gains and losses on disposal of an item of property, plant and equipment are recognised net within “other gains/losses” in income statement.

iii) Subsequent measurement

If the expenditures incurred regarding to improvement and repair during the use of non-current assets qualify the following criteria, such expenditures are capitalized in the fixed assets account.

- Extends the useful lives of assets
- Increases capacity of production
- Increases efficiency of assets

iv) Depreciation

Depreciation is recognised in income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Since economic useful lives for estimation of non-current assets differs immaterially from statutory useful lives stated in the Corporate Tax Income Law of Mongolia, the useful lives stated in General Tax Law of Mongolia have been selected by the Company for depreciation. The estimated useful life of items of property, plant and equipment are as follows:

▪ Computer and accessories, software, electronic appliances	3 years
▪ Office furniture and fixture	10 years

5. Summary of significant accounting policies (continued)

f) Investment properties

Investment property is held for long-term rental yields or for capital appreciation or both, and is not occupied by the Company.

Investment property is measured initially at cost including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Subsequent to initial recognition, investment property is stated at fair value. Gains or losses arising from changes in the fair values are included in the statement of comprehensive income in the year in which they arise, including the corresponding tax effect. For the purposes of these financial statements, in order to avoid double accounting, the assessed fair value is reduced by the carrying amount of any accrued income resulting from the spreading of lease incentives and/or minimum lease payments.

g) Inventories

Inventories comprise of cost of stationeries and supply materials. Inventories are accounted for under perpetual system.

h) Trade and other receivables

Trade receivables are initially recognised at their fair value and subsequently measured at amortized cost less any impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of those receivables. The impairment is calculated as the difference between the carrying value of the receivable and the present value of the related estimated future cash flows, discounted at the effective interest rate. The amount of any impairment is recognised in the statement of profit or loss and other comprehensive income.

Trade and other receivables in foreign currencies are translated into MNT at official rate of exchange of Mongolbank ruling at the balance sheet date. Any amounts of receivables collected during the current year are translated into MNT and realized gain or losses on foreign currency exchange are recognized.

5. Summary of significant accounting policies (continued)

i) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and cash balances at banking and financial institutions.

j) Trade and other payables

Trade payable and other payables are measured at cost. Payables are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity.

k) 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

Own equity instruments that are reacquired (treasury shares) are deducted from equity and accounted for at amounts equal to the consideration paid, including any directly attributable incremental costs. The Company's policy is not to keep shares in treasury, but rather to cancel them once repurchased.

No gain or loss is recognised in the statement of comprehensive income on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

l) 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.

m) Fair value reserve

Changes in fair value of financial investments are accounted for as fair value reserve in equity of the statement of financial position.

n) Dividends

Dividends are recognized as liability when it declared.

5. Summary of significant accounting policies (continued)

o) Revenue

Revenue is recognized to the extent that is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

i) Commission income

Revenue from underwriting, brokerage and dealing services, and investment consulting is main principal revenue of the Company. Revenue is recognized on accrual basis of accounting in accordance with the IFRS.

ii) Interest income

Interest income is recognized as the interest accrues to the net carrying amount of the financial assets.

p) Tax expenses

Income tax expense comprises current and deferred tax is recognized in the statement of profit or loss and other comprehensive income. 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 estimated using comprehensive liability method. This is a temporary difference 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 realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. 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 realised.

5. Summary of significant accounting policies (continued)

q) Leasing expenses

Leases are classified as financial leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, in other case leases are classified as operating lease.

The amount initially recognised as an asset is the lower of the fair value of the leased property and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability.

For the operating lease, the total rentals payable under the lease are charged to the statement of profit or loss and other comprehensive income on a straight-line basis over the lease term.

r) Employee benefit

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 statement of profit or loss and other comprehensive income as incurred.

6. FINANCIAL INSTRUMENT – RISK MANAGEMENT

The company is exposed through its operating to the following financial risks:

- Credit risk
- Fair value and interest rate risk
- Foreign currency risk
- Other market price 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) Principal financial instruments

The principal financial instruments used by the Company and that may have financial risk exposure are as follows:

- Trade receivables
- Cash and cash equivalents
- Trade and other payables

(ii) Financial instruments for each class of instruments

	At 31 Dec 2013 MNT'000	At 31 Dec 2012 MNT'000
Financial assets		
Financial investments	31,499,654	15,647,429
Trade and other receivables	1,238,158	1,163,850
Cash and cash equivalents	182,868	209,802
	32,920,680	**17,121,081**
Financial liabilities		
Trade and other payable	4,524,391	982,759
Long-term borrowings	347,178	3,772,720
	4,871,569	**4,755,479**

(iii) Financial instruments carried not at fair value

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

The financial instruments are all short term in nature with maturities of less than one year, thus, the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair values.

6. FINANCIAL INSTRUMENT – RISK MANAGEMENT (continued)

General objectives and processes

The management has overall responsibility for the Company's risk policies whilst determining risks. 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 details regarding these policies are set out below:

Credit risk
Credit risk is the risk of financial loss to the Company if counterparty to a financial instrument fails to meet its contractual obligations. The Company may have exposure to credit risk arising from sales on credit and the Company has the policy for assessment of credit risk before entering into contractual covenants with new customers.

Cash and cash equivalents and balances with current account are also subject to credit risk.

The main exposure of credit risk concentrates on amount of MNT 116,010 thousand (2012: 462,626 thousand) of trade and other receivables disclosed in Note 17.

Market risk

The Company takes on exposure to market risk arising from external factors such as tax policy, legislation, foreign exchange rates, and market price changes of financial instruments.
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices (see below) will affect the Group's income or the fair value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

For the year, there have been significant changes and amendments in Mongolian Law on Securities Market.

Interest rate risk

Interest rate risk is the risk exposure of fluctuation in fair value or future cash flows of financial instruments arising from changes in interests of borrowings in the market.

The Company has no significant exposure to interest risk arising from changes in interest rates.

Foreign currency exchange risks

The Company may be subject to foreign currency risk on investments, loans provided to others, borrowings, services rendered and purchases and payments that are denominated in a currency other than MNT. The Company is exposuter to foreing currency risk is primarily denominated in US Dollars. The Company is exposed to effects of fluctuations in prevailing foreign currency exchange rate on its financial position and cash flows.

Currencies	Average rate		Closing rate	
	For 2013	For 2012	12/31/2013	12/31/2012
USD	1,523.93	1,359.24	1,654.10	1,392.10
CNY	248.03	215.48	272.88	223.39
EUR	2,026.36	1,748.48	2,275.63	1,835.83

6. FINANCIAL INSTRUMENT – RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk arises from the company is abiity to meet its financial obligations as they fall due or in situations where huge amount of cash is required to meet these obligations.

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. To achieve this aim, it seeks to maintain cash balances (or agreed facilities) to meet expected requirements for a period 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.

7. REVENUE FROM SERVICE RENDERED

	For 2013 MNT'000	For 2012 MNT'000
Management service and success fee	620,623	2,839
Dividend revenue	-	153,078
Commission income from share trading	6,977	-
Revenue of purchase investments	-	164,547
	627,600	**320,464**

8. GENERAL AND ADMINISTRATIVE EXPENSES

	For 2013 MNT'000	For 2012 MNT'000
Salary expenses	(207,218)	(162,055)
Social insurance expenses	(22,795)	(17,775)
Training expenses	-	(351)
Lease expenses	-	(480)
Utility expenses	(11,751)	(8,462)
Business trip expenses	(29,534)	(12,982)
Depreciation	(14,477)	(15,629)
Repair and Maintenance	(358)	(1,147)
Advertising	-	(5,000)
Communication	(10,324)	(6,204)
Stationary expenses	(1,300)	(3,318)
Fuel expenses	(14,871)	(5,839)
Professional services	(23,462)	(45,941)
Donation and special events expenses	(43,397)	(8,092)
Fee service received	(4,173)	(4,842)
Vehicles insurance expenses	-	(1,482)
Other expenses	(1,700)	(659)
Transportation expenses	(10)	-
Cleaning materials	(294)	(279)
Supply materials -tea	(723)	(502)
Pension and compensation expenses	-	(450)
Tax expenses for real estate	(1,254)	(1,568)
Tax expenses for vehicles	-	(80)
	(387,641)	**(303,137)**

9. NON-OPERATING INCOME

	For 2013 MNT'000	For 2012 MNT'000
Rent income	9,164	13,127
Revenue income from sales of apartment	108,368	-
Costs of apartment	(98,294)	
	19,238	**13,127**

10. NET FINANCE COSTS

	For 2013 MNT'000	For 2012 MNT'000
Interest income on loans	26,356	50,075
Interest income from deposits and current accounts	10,800	4,765
Gains from foreign exchange difference	468,394	127,090
Interest expenses	(249,539)	(391,121)
Financial commission payment	(7,747)	(1,919)
Losses from foreign exchange difference	(679,799)	(127,941)
Gains from trading of foreign currency	4,952	-
Gains from trading of stocks	-	42,975
	(426,583)	**(296,076)**

11. INCOME TAX EXPENSES

According to Mongolian Tax Laws, the Company has an obligation to pay the Government 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 MNT3 billion. Current year income tax expenses comprise the current year income tax expenses and deferred tax expenses.

	For 2013 MNT'000	For 2012 MNT'000
Profit before tax	**16,144,465**	**1,688,270**
Permanent tax difference	**122,289**	**(208,307)**
Non-taxable income	(468,394)	(127,090)
Special rate of taxation	(81,268)	(207,919)
Non-deductible tax expenses	671,951	126,702
Temprory tax differences	**(16,311,852)**	**(1,957,459)**
Temporary tax effect	(16,311,852)	(1,957,459)
Taxable income at effective tax rate	**(45,097)**	**(477,496)**
Tax at 10 %	-	-
Tax at special tax rate	(8,127)	(20,791)
Deferred tax expenses	**(4,077,963)**	**(489,365)**
Temporary tax effect	(4,077,963)	(489,365)
Total income tax expenses	**(4,086,090)**	**(510,157)**

12. PROPERTY, PLANT AND EQUIPMENT

	Building	Furniture	Computer and equipment	Vehicles	Total
	MNT'000	MNT'000	MNT'000	MNT'000	MNT'000
Cost					
Balance at 01 January 2012	**280,668**	**29,571**	**11,839**	**70,003**	**392,081**
Acquisition	-	-	812	-	**812**
Balance at 31 December 2012	**280,668**	**29,571**	**12,651**	**70,003**	**392,893**
Acquisition		-	1,333	-	**1,333**
Balance at 31 December 2013	**280,668**	**29,571**	**13,984**	**70,003**	**394,226**
Accumulated Depreciation					
Balance at 01 January 2012	**(1,169)**	**(1,111)**	**(5,586)**	**(10,792)**	**(18,658)**
Charge for the year	(6,431)	(1,331)	(3,200)	(4,667)	**(15,629)**
Balance at 31 December 2012	**(7,600)**	**(2,442)**	**(8,786)**	**(15,459)**	**(34,287)**
Charge for the year	(6,471)	(1,552)	(2,861)	(583)	(11,467)
Balance at 31 December 2013	**(14,071)**	**(3,994)**	**(11,647)**	**(16,042)**	**(45,754)**
Net carrying amount					
At December 31, 2012	**273,068**	**27,129**	**3,865**	**54,544**	**358,606**
At December 31, 2013	**266,597**	**25,577**	**2,337**	**53,961**	**348,472**

13. FINANICAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Details of the Company's interest in other entities at the end of the reporting period are as follows:

	At 31 Dec 2013 MNT'000	At 31 Dec 2012 MNT'000
Subsidiaries	1,181,814	1,746,925
Joint ventures	29,108,178	7,469,180
Associates	-	5,228,532
Non-controlling interests	1,209,661	1,202,792
	31,499,654	**15,647,429**

Current year transactions of investment entities are as follows:

	Subsidiaries MNT'000	Joint ventures MNT'000	Associates MNT'000	Non-controlling interests MNT'000	Total MNT'000
Opening balance	**1,746,925**	**7,469,180**	**5,228,532**	**1,202,792**	**15,647,429**
Exchange of shares	-	4,804,716	(5,228,532)	-	(423,815)
Redemption of investment	(1,000)	-	-	(34,812)	(35,812)
Fair value	(564,112)	16,834,283	-	41,681	16,311,652
Closing valance	**1,181,814**	**29,108,178**	**-**	**1,209,661**	**31,499,654**

Below is the fair value hierarchy of financial assets as at 31 December 2013. Level 1 includes financial assets which are traded in an active market, whose fair values are measured based on market quotations. Level 2 includes financial assets whose fair value is determined based on quoted prices for similar assets or liabilities in active market or quoted price for identical or similar assets or liabilities in market that are not active. Level 3 includes financial assets whose fair value is determined based on judgment or fair value techniques for which any significant input is not based on observable market data:

	Level 1 MNT'000	Level 2 MNT'000	Level 3 MNT'000	Total MNT'000
Financial investments				
Tenger Systems LLC	-	-	46,890	**46,890**
Tenger Financial Group (TFG) LLC	-	41,681	-	**41,681**
EIT Capital Management (ECM) LLC	-	14,478,594	-	**14,478,594**
Monet Capital LLC	-	-	(611,002)	**(611,002)**
Institute of Engineering and Technology (IET) LLC	-	-	2,355,689	**2,355,689**
	-	**14,520,275**	**1,791,577**	**16,311,852**

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (continued)

Below is the fair value hierarchy of financial assets as at 31 December 2012:

	Level 1 MNT'000	Level 2 MNT'000	Level 3 MNT'000	Total MNT'000
Financial investments				
Tenger Systems LLC	-	-	26,254	**26,254**
Tenger Financial Group (TFG) LLC	-	35,807	-	**35,807**
EIT Capital Management (ECM) LLC	-	(1,578,757)	-	**(1,578,756)**
Institute of Engineering and Technology (IET) LLC	-	-	3,474,155	**3,474,155**
	-	**(1,542,950)**	**3,500,409**	**1,957,459**

Below is the fair value hierarchy of financial assets as at 01 January 2012:

	Level 1 MNT'000	Level 2 MNT'000	Level 3 MNT'000	Total MNT'000
Financial investments				
Tenger Systems LLC	-	-	87,170	**87,170**
Tenger Financial Group (TFG) LLC	-	42,890	-	**42,890**
EIT Capital Management (ECM) LLC	-	3,561,788	-	**3,561,788**
Monet Capital LLC	-	-	354,936	**354,936**
Institute of Engineering and Technology (IET) LLC	-	-	2,071,683	**2,071,683**
	-	**3,604,678**	**2,513,789**	**6,118,467**

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (continued)

Details of the Company's subsidiaries at the end of the reporting period are as follows:

Name of a Entity	Principal activity	At 31 Dec 2013 Number shares	At 31 Dec 2013 Total investment MNT'000	At 31 Dec 2012 Number of shares	At 31 Dec 2012 Total investment MNT'000
Monet Capital LLC	Broker-dealer	501,961	983,000	501,961	1,594,002
Arvay Capital LLC	Business consulting	10,000	10,000	10,000	10,000
MTND LLC	Business consulting	10,000	10,000	10,000	10,000
Tenger Systems	Developer	101,000	178,814	101,000	131,923
Arvan Geriin Kholboo LLC		-	-	1,000	1,000
		622,961	**1,181,814**	**623,961**	**1,746,925**

Details of the Company's joint ventures at the end of the reporting period are as follows:

Name of joint venture	Principal activity	At 31 Dec 2013 Ownership interest (%)	At 31 Dec 2013 Number of shares	At 31 Dec 2013 Total investment MNT'000	At 31 Dec 2012 Ownership interest (%)	At 31 Dec 2012 Number of shares	At 31 Dec 2012 Total investment MNT'000
Institute of Engineering and Technology (IET) LLC	Education	50	623,399	9,824,868	50	623,399	7,469,180
EIT Capital Management (ECM) LLC	Investment	69	3,053,838	19,283,310		-	-
			3,677,237	**29,108,178**		**623,399**	**7,469,180**

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (continued)

Details of the Company's associates at the end of the reporting period are as follows:

		At 31 Dec 2013			At 31 Dec 2012		
Name of joint venture	**Principal activity**	**Ownership interest (%)**	**Number of shares**	**Total investment MNT'000**	**Ownership interest (%)**	**Number of shares**	**Total investment MNT'000**
EIT Capital Management (ECM) LLC	Investment	-	-	-	30	1,336,283	5,228,532
			-	**-**		**1,336,283**	**5,228,532**

Details of the Company's non-controlling interests at the end of the reporting period are as follows:

		At 31 Dec 2013			At 31 Dec 2012		
Name of associate	**Principal activity**	**Ownership interest (%)**	**Number of shares**	**Total investment MNT'000**	**Ownership interest (%)**	**Number of shares**	**Total investment MNT'000**
Nomiin Khishig LLC	Publishing	20	36,000	1,048,716	20	36,000	1,048,716
Tenger Financial Group (TFG) LLC	Financing and investing	4.2	9,657.00	160,945	4.2	9,657	119,264
Mongol 999	Trading	-	-	-	-	1,000	1,000
Erdenes Tavan Tolgoi	Mining	-	-	-		36,240	33,812
			45,657	**1,209,661**		**82,897**	**1,202,792**

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (continued)

Summarized financial information in respect of each of the Company's invested entities is set out below.

Investment entities	Net assets		Total assets		Net profit	
	At 31 Dec 2013 MNT'000	At 31 Dec 2012 MNT'000	At 31 Dec 2013 MNT'000	At 31 Dec 2012 MNT'000	For 2013 MNT'000	For 2012 MNT'000
Tenger Systems LLC	61,540	106,449	62,315	117,186	(44,909)	(163)
Tenger Financial Group (TFG) LLC	158,690	127,936	1,891,456	1,123,730	7,843	26,371
EIT Capital Management (ECM) LLC	9,494,175	28,415,945	9,505,996	28,440,483	(224,230)	(63,925)
Monet Capital LLC	244,268	263,928	549,029	804,272	(14,577)	266,414
MTND LLC	485,155	(31,541)	533,250	2,794,673	516,696	53,063
Arvay Capital LLC	80,238	158	81,569	667	(80)	-
Institute of Engineering and Technology (IET) LLC	2,085,864	2,054,541	6,193,832	5,915,984	30,848	298,701
Nomiin Khishig LLC	246,515	209,587	643,079	838,920	36,928	29,137
	12,856,445	**31,147,003**	**19,460,525**	**40,035,916**	**308,519**	**609,598**

14. LOANS TO SUBSIDIARIES AND ASSOCIATES

Loans to subsidiaries at 31 December 2012 and 2013 are as follows:

	Ard Credit /MNT/	Ard Credit /USD/	Monet Capital /USD/	Monet Capital /USD/	Total
	(i)	(ii)	(iii)	(iv)	
Loan and advance	**MNT'000**	**MNT'000**	**MNT'000**	**MNT'000**	**MNT'000**
At 01 January 2012	-	-	-	-	-
Loans disbursed	-	-	222,807	21,427	**244,234**
At 31 December 2012	**-**	**-**	**222,807**	**21,427**	**244,234**
Loans disbursed	52,860	479,665	-	-	**532,525**
Loans repaid	-	-	(265,580)	(21,427)	**(287,006)**
Exchange difference		1,544	42,772		**44,316**
At 31 December 2013	**52,860**	**481,209**	**-**	**-**	**534,069**
Interest receivables					
At 31 December 2012	**-**	**-**	**-**	**-**	**-**
Interest charge	159	17,821	-	9,741	**27,721**
Interests repaid	-	(16,011)	-	(9,741)	**(25,752)**
Exchange difference	-	(90)	-	-	**(90)**
At 31 December 2013	**159**	**1,720**	**-**	**-**	**1,879**
Total amortized cost at 31 December 2012	**-**	**-**	**222,807**	**21,427**	**244,234**
Total amortized cost at 31 December 2013	**53,019**	**482,929**	**-**	**-**	**535,947**

(i) On 26 December 2013, the loan agreement № LA/3-2013 was entered between Ard Credit NBFI and EIT LLC for the purpose of making investment in current assets of Ard Credit LLC. The total amount of the loan was at MNT52,860,000 and this loan has the interest at the rate of 18 percent per annum and will be matured in 12 months.

(ii) On 06 September 2013, the loan agreement № LA/1-2013 was entered between EIT LLC and Ard Credit LLC for the purpose of making investment in current assets of Ard Credit LLC. According to the loan agreement, the loan amount was USD 200,000 and had a term of 2 years. The interest rate is at 12 percent per annum.
On 25 September 2013, the loan agreement № LA/2-2013 was entered between EIT LLC and Ard Credit LLC for the purpose of making investment in current assets of Ard Credit LLC. According to the loan agreement, the loan amount was USD 90,000 and had a term of 6 months. The interest rate is at 12 percent per annum.

(iii) On 13 December 2012, loan agreement №11/09 was entered between "EIT" LLC and "Monet Capital" LLC. The loan amount is MNT 21,339,463.92 at the interest rate of 0.6 percent per month for a term of 3 months. The Company used this loan to finance the guarantee Company to be deposited at Mongolian Securities Clearing House and Central Depository and the repayment of commission and penalty by Social Insurance Department of the District.

14. LOANS TO SUBSIDIARIES AND ASSOCIATES (continued)

(iv) A convertible loan agreement is made and entered into on 20 August 2012, by and between Ya. Natsagdorj, EIT LLC and Monet Capital LLC. Total amount of loan is equal to USD260,051.33 and interest rate is at 2.37 percent. Monet Capital LLC sold the shares at USD239,259.66 on behalf of Ya. Natsagdorj and the parties agreed to convert the debt into shares. The amount equivalent to USD100,000 should be repaid within 3 business days after effective date of the agreement and the outstanding amount should be converted into ordinary shares of EIT LLC.

15. LOANS TO NON-RELATED PARTIES

Loans to the non-related parties at 31 December 2012 and 2013 are as follows:

Loan and advance	BSP LLC /MNT/ (i) MNT'000	BSP LLC /USD/ (ii) MNT'000	NMCG LLC /MNT/ (iii) MNT'000	Total MNT'000
At 01 January 2012	**325,635**	**107,185**	**265,335**	**698,155**
Loans disbursed	-	-	-	**-**
Loans repaid	-	-	(256,225)	**(256,225)**
Foreign exchange difference	-	(328)	-	**(328)**
At 01 January 2012	**325,635**	**106,858**	**9,110**	**441,602**
Loans disbursed	-	-	-	**-**
Loans repaid	-	-	(9,110)	**(9,110)**
Foreign exchange difference	-	20,513	-	**20,513**
At 31 December 2013	**325,635**	**127,371**	**-**	**453,006**
Interest receivables				
At 01 January 2012	**112,180**	**3,216**	**14,468**	**129,864**
Interests repaid	-	-	(14,468)	**(14,468)**
Foreign exchange difference	-	(10)	-	**(10)**
At 1 December 2013	**112,180**	**3,206**	**-**	**115,386**
Interest charges		17,808		**17,808**
At 31 December 2013	**112,180**	**21,014**	**-**	**133,194**
Total amortized cost at 31 December 2012	**437,815**	**110,064**	**9,110**	**556,989**
Total amortized cost at 31 December 2013	**437,815**	**148,385**	**-**	**586,200**

(i) The loan agreement №2010/08 was entered with BSP LLC on 10 June 2010. According to the agreement, the loan amount was MNT 300 million, interest at the rate of 2 percent per month and has a term of 30 days. As the loan agreement expired, the loan agreement has been extended until 01 July 2011 at the interest rate of 2.5 percent for the purpose of construction of 48 housing Unit building on 11th sub-district, Bayanzurkh district.
On 22 October 2010, the loan agreement №2010/10 was entered between EIT LLC and BSP LLC for the purpose of investment in current assets. The total amount of the loan was MNT 18,000,000. The loan has a term of 6 months and bears interest at the rate of 0.1 percent per month.

15. LOANS TO NON-RELATED PARTIES (continued)

The loan agreement №2010/17 was entered with BSP LLC on 22 December 2010 for the purpose of investment in current assets. The loan has a term of 3 months and bears the interest at the rate of 0.1 percent and maturity is 3 months. The loan amount is MNT15,635,000.

(i) On 30 December 2010, EIT LLC and BSP LLC entered into loan a agreement №2010/25 for the purpose of investing in current assets. According to the loan agreement, the total amount of the loan is USD 42,323 and maturity was 3 months. Interest rate is of 1 percent per month.

On 30 December 2010, EIT LLC and BSP LLC entered into a loan agreement №2010/26 for the purpose of investing in current assets. According to the loan agreement, the total amount of loan is USD 34,437 and maturity was 3 months. Interest rate is of 1 percent per month.

(ii) EIT LLC and NMCG LLC entered into a loan agreement on 21 July 2010. Total amount of the loan is MNT 400 million and term is 30 days. Loan interest rate is at 2 percent per month. After agreement expiry, the maturity of loan was extended until 30 June 2011 and interest rate is 2.5 percent. The loan was extended for the purpose of construction of 62 housing unit building next to 52th school, 1th sub-district, Khan-Uul district.

16. PREPAYMENTS

The Share purchase agreement was entered between EIT LLC and Inter Group International LLC on 27 December 2013. According to the agreement, EIT LLC made advance payment of MNT300 million to acquire 33 percent of Ard Daatgal LLC and 50 percent of Ard Credit NBFI.

17. TRADE AND OTHER RECEIVABLES

	At 31 Dec 2013 MNT'000	At 31 Dec 2012 MNT'000
Receivables from individuals	33,375	217,290
Receivables from employees	72,096	14,931
VAT receivables	-	17,143
Other receivables	10,539	213,262
	116,010	**462,626**

18. CASH AND CASH EQUIVALENTS

	At 31 Dec 2013 MNT'000	At 31 Dec 2012 MNT'000
Cash at bank account (MNT)	977	981
Cash at bank account (USD)	963	817
Demand deposit at bank (MNT)	179,224	207,854
Demand deposit at bank (USD)	1,704	150
	182,868	**209,802**

19. SHARE CAPITAL

The Company's share capital comprises 22,752,700 ordinary shares at par value of MNT 1,000 each.

Ordinary shares	Numbers of share	Par value (MNT)	TOTAL MNT'000
Authorized share:			
At 01 January 2012	**15,926,890**	**100**	**1,592,689**
Issued shares	1,104,580	100	110,458
Repurchased shares	(2,607,480)	100	(260,748)
At 31 December 2012	**14,423,990**	**100**	**1,442,399**
Issued shares (i)	108,887	100	10,889
Repurchased shares (ii)	(770,700)	100	(77,070)
At 31 December 2013	**13,762,177**	**100**	**1,376,218**

(i) According to the resolution №05/2013 of the Board of Directors dated 15 April 2013, EIT LLC issued 108,887 ordinary shares at MNT998.39 each to Luna and Luna LLC. The excess of issue amount over the par value is recognized as share premium.

(ii) According share exchange agreement dated 30 May 2013, EIT LLC agreed to repurchase total number of 770,699 (par value of 100 MNT) ordinary shares owned by MCS LLC and transfer total number of 90,420 ordinary shares of EIT Capital Management LLC owned by EIT LLC.

The company's major shareholders at the 31 December 2013 are as follows:

Shareholders	Numbers of share	Par value (MNT)	TOTAL MNT'000
Ganhuyag Chuluun	2,128,610	100	212,861
UBIG LLC	1,468,449	100	146,845
Apollo Ventures LLC	1,290,000	100	129,000
MAK LLC	873,000	100	87,300
Luna & Luna LLC	763,068	100	76,307
Soronzonbold Lhagvasuren	711,450	100	71,145
Sergelen Munkh-Ochir	586,710	100	58,671
Nemekhbaatar Bayartogtokh	507,834	100	50,783
Gereltuya Sedbazar	450,000	100	45,000
Uyanga Galnyam	402,561	100	40,256
Bat-Ochir Dugarsuren	313,650	100	31,365
Zoljargal Myagmarsuren	300,000	100	30,000
Bold Magvan	256,000	100	25,600
Delgerjargal Bayanjargal	251,960	100	25,196
Ronoc Limited	220,447	100	22,045
Major shareholders	**10,523,739**	100	**1,052,374**
Remaining 353 shareholders	3,238,438	100	323,844
Total outstanding shares	**13,762,177**	100	**1,376,218**

20. SHARE PREMIUM

	At Dec 2013 MNT'000	At Dec 2012 MNT'000
At the beginning of the balance	**3,303,839**	**2,700,450**
Addition (i)	97,823	1,658,808
Write off (ii)	(155,107)	(1,055,419)
At the ending of the balance	**3,246,555**	**3,303,839**

(i) According to the resolution №05/2013 of the Board of Directors dated 15 April 2013, EIT LLC issued 108,887 ordinary shares at par value of MNT 100 each to Luna and Luna LLC. Luna and Luna LLC paid MNT998.39 for each share and the amount in excess of par value is recognized as share premium.

(ii) According to the share exchange agreement dated on 30 May 2013, EIT LLC agreed to repurchase total number of 770,699 (par value of 100 MNT) ordinary shares held by MCS LLC and transfer 90,420 ordinary shares of EIT Capital Management LLC owned by EIT LLC. The write-off of share premium represents the share premium attributable to repurchased shares.

21. OTHER EQUITY INSTRUMENT

According to the resolution №2007/06 of the Board of Directors dated 04 May 2007, 25 percent (MNT14,299,079) of dividends allocated by XacBank LLC is recognized as reserve. According to the resolution of BOD dated 21 May 2007, MNT500,000 has been allocated as bonus.

22. LONG TERM BORROWINGS

	Golomt Bank (MNT)* MNT'000	Golomt Bank (USD)** MNT'000	State Bank*** MNT'000	MAK***** MNT'000	Total MNT'000
Loan principal					
Balance at 01 January 2012	**620,000**	**837,822**	**-**	**3,900,000**	**5,357,822**
Borrowings	-	-	280,000	-	**280,000**
Repayment	-	(93,313)	(4,022)	(1,910,945)	**(2,008,281)**
Current portion of long term liabilities	-	-	-	-	**-**
Exchange difference		(2,566)	-	-	**(2,566)**
Balance at 31 December 2012	**620,000**	**741,943**	**275,978**	**1,989,055**	**3,626,976**
Repayment	(620,000)	(883,718)	(11,978)	-	**(1,515,696)**
Current portion of long term liabilities	-	-	(53,000)	(1,989,055)	**(2,042,055)**
Exchange difference	-	141,775	-	-	**141,775**
Balance at 31 December 2013	**-**	**-**	**210,999**	**-**	**210,999**
Accrued interests					
Balance at 01 January 2012	**4,650**	**5,027**		**-**	**9,677**
Interest charge for current year	64,166	115,640	29,364		**209,170**
Interest paid	(60,450)	(120,667)	(28,426)	-	**(209,543)**
Balance at 31 January 2012	**8,366**	**(0)**	**938**	**-**	**9,304**
Interest charge for current year	83,279	93,120	49,894		**226,292**
Interest paid	(91,644)	(93,120)	(50,832)	-	**(235,596)**
Balance at 31 December 2013	**-**	**-**	**-**	**-**	**-**
Total loan and interest payable as 31 December 2012	**628,366**	**741,943**	**276,916**	**1,989,055**	**3,636,280**
Total loan and interest payable as 31 December 2013	**-**	**-**	**210,999**	**-**	**210,999**

22. LONG TERM BORROWINGS (continued)

* On 16 May 2011, the loan agreement №3Г8115004785 was entered between EIT LLC and Golomt Bank LLC for the purpose of making investment in current assets. Total amount of the loan was MNT 620 million and this loan has the interest at the rate of 1.5 percent per month. Loan will be matured in 24 months. EIT LLC is pledged 50 percent of total shares of Institute of "Engineering and Technology" that valued at USD 2,493,578.

** EIT LLC and Golomt Bank LLC entered into a loan agreement № 3Г8115004266 on 15 December 2010. Purpose of the loan was to make investment in current assets. Total amount of the loan was USD 600,000 and this loan has the interest rate of 1.2 percent per month. The loan will mature in 24 months. EIT LLC pledged the shares of total amount of USD 2,000,000 or 40 percent of total shares of "Institute of Engineering and Technology".

*** The loan agreement №197 was entered with State Bank of Mongolia on 14 May 2012 for the purpose of making finance of operational activity. Total amount of the loan was MNT 280 million and bears interest at the rate of 20.4 percent per annum. Loan agreement will mature in 36 months. An Office building, registration № Y-2203023321 (170.44 square feet), located on suite 403, Altangerel Street-5, 8th sub-district, Sukhbatar district has been pledged as collateral and the collateral amount is MNT 411,318,170.

***** In accordance with the Loan Agreement No.460-0311 entered between EIT LLC, EIT Capital Management LLC and Mongolian Alt ("MAK") LLC on 19 September 2011, the Company entitled to receive the loan and convertible loan of MNT6 billion, which has the intention to increase its indirect interests in TenGer Financial Group by purchasing the new shares issued by EIT Capital Management LLC proportionally. The loan has 2 tranches, first tranche amounts to MNT3.9 billion and another tranche amounts to MNT2.1 billion. 226,359 shares, which is equivalent to 50 percent of 452,719 shares acquired by the loan proceeds of 3.9 billion, should be transferred to the Lender's ownership as of date of acquisition. The outstanding 50 percent of first tranche should be repaid to the Lender as of date of IPO of Tenger Financial Group according to the following schedule within 36 months since the date of receipt of loan proceeds: (i) If the par value of shares of Tenger Financial Group exceeds over the value multiplied by 3.5 of book value (December 2010: MNT 4,270.4), the borrower should pay remaining amount of MNT 1.95 billion in full without any interest. Otherwise, if the par value of shares of Tenger Financial Group is traded out less than the value multiplied by 3.5 of book value (December 2010: MNT 4,270.4), the borrower is obliged to repay total amount of MNT3,383,252,157, which is derived from par value multiplied by 3.5. The second tranche of the financing should be made when Tenger Financial Group issues the additional new shares amounting to MNT13.8 billion within December 2011. In accordance with the Share Securitization Agreement, ordinary shares of 680,000 out of 1,109,924 ordinary shares issued by and on issue of EIT Capital Management, which were owned by EIT LLC, were secured for the loan on 19 September 2011.

23. LONG-TERM FINANCIAL LEASE PAYABLE

	At 31 Dec 2013 MNT'000	At 31 Dec 2012 MNT'000
Financial lease payable	**24,991**	**24,991**
Including:		
Current portion of long term lease	24,793	12,396
Long term financial lease payable	198	12,594

The financial lease agreement №41000012 dated 11 June 2010 is made by and between EIT LLC and XacLeasing LLC. Subject to this agreement, XacLeasing LLC agrees to lend MNT 73,411,890 million to be used for acquisition of vehicle, "Toyota Prado 120". Lessee paid 51 percent or 37,503,000 of total cost. The total loan amount was MNT 35,908,890 and interest rate of it is at 24 percent annum. The loan term is 60 months.

24. TRADE AND OTHER PAYABLE

	At 31 Dec 2013 MNT'000	At 31 Dec 2012 MNT'000
Payable to entity	841,214	131,953
Payable to individuals	1,565,790	544,897
Payable to employee	96	12
Salary payable		68
Deferred income		119,205
Payables for share option	5	161,106
Other payable	1,554	
PIT payable	-	4
VAT payable	39,979	-
Payable of real state tax	1,255	-
Withholding tax payable	-	458
	2,449,893	**957,703**

25. DEFERRED TAX LIABILITY

The amount represents deferred tax liability arisen from the temporary difference on fair value adjustment for the financial assets at fair value through profit or loss.

	At 31 Dec 2013 MNT'000	At 31 Dec 2012 MNT'000
At the beginning of the balance	**1,079,617**	**1,568,981**
For the current year	489,364	4,077,963
At the ending of the balance	**1,568,981**	**5,646,944**

26. RELATED PARTY

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. Company's directors and executive management
ii. Other companies with same shareholders;

The Company's related parties consist of companies owned by shareholder as follows:

Names of related parties	Business activity	Relationship with EIT
Ard Credit NBFI	Nonbank	Subsidiary company
ECM	Investment	Subsidiary company
MTND	Pension fund	Subsidiary company
Gereltuya Sedbazar	N/a	Shareholder
Ganhuyag Chuluun	N/a	Chairman

The outstanding balances arising from transactions with related parties are as follows:

Related parties	Transactions			
	Due from MNT'000	Due to USD'000	Loan-MNT MNT'000	Loan-USD USD'000
Ard Credit	-	-	52,860	290
ECM	8,518	-	-	-
MTND	326,353	123	-	-
Gereltuya Sedbazar	-	202	-	-
Ganhuyag Chuluun	71,756	-	-	-
	406,626	**325**	**52,860**	**290**

27. SUBSEQUENT EVENTS AFTER REPORTING DATE

The share purchase agreement was entered between parties of Mongolian Financial Services Pte, Equity Investment Trust (EIT) LLC, MCS Holdings and Gankhuyag.Ch Hutagt. According to the agreement, the EIT LLC agreed to sell 1,214,357 shares of total shares of EIT Capital Management to Mongolian Financial Services Pte in total amount of MNT 6,650,124,410.

In accordance with the agreement between "Inter Group" International LLC and "EIT" LLC dated 27 December, 2013, as a result of subsequent amendment, which was made by shareholders' meeting, "EIT" LLC acquired 50 percent of total shares of Ard Credit NBFI LLC and 33 percent of total shares of Ard Daatgal LLC. Under the agreement, activity that assigns the rights is registered in State Registration and the process to change company rules has not finished by the reporting date yet.

28. COMPARATIVE FIGURES

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

29. TRANSLATION INTO ENGLISH

These financial statements have been prepared in Mongolian languages first and then it has been translated to English languages. The report in Mongolian language will prevail in the case of misunderstanding between versions in Mongolian and English languages.