

“ARD FINANCIAL GROUP”

Limited Liability Company

**SEPARATE FINANCIAL
STATEMENTS**

for the year ended 31 December 2014



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CORPORATE INFORMATION

Incorporation decision

Ard Financial Group LLC was initially incorporated as EIT (Equity Investment Trust) Limited Liability Company in accordance with the shareholders' resolution dated 10 October 2005.

In accordance with the resolution of the board of directors dated 08 April 2014, the Company's name was changed from EIT LLC to Ard Financial Group LLC and the change of company name was registered to the State Registration Office on 26 June 2014.

Certificate and special license

Ard Financial Group LLC was initially registered to the State Registration Office of Mongolia as EIT LLC on 18 October 2005 and was granted the State Registration Certificate No. 9011036140 with registration No. 5024145.

Shareholders

Inter Group International LLC	13.32%
UBIG LLC	11.35%
Apollo Ventures LLC	10.06%
Ventures One BV	7.76 %
Ch.Ganhuyag	7.68%
Luna and Luna LLC	7.65%
MAK LLC	5.2%
Others	36.98%

Board of Directors

J.Oyungerel, Chairman of the Board of Directors
Ch.Ganhuyag, Member of the Board of Directors
P.Batbayar, Member of the Board of Directors
N.Tselmuun, Member of the Board of Directors
L.Soronzonbold, Member of the Board of Directors
B.Nemekhbaatar, Member of the Board of Directors
B.Ganbat, Member of the Board of Directors
A.Batbold, Member of the Board of Directors
B.Bolormaa, Member of the Board of Directors
S.Gereltuya, Member of the Board of Directors
L.Javzmaa, Member of the Board of Directors
M.Sergelen, Member of the Board of Directors
G.Tsogbadrakh, Member of the Board of Directors
Anthony Hobrow, Member of the Board of Directors

Executive Management

Ch.Ganhuyag, Executive Director

Permanent address

Ard Financial Group LLC
City Center Building - 403
B.Altangerel street, Baga Toiruu 14200,
Khoroo-8, Sukhbaatar district, ,
Ulaanbaatar, Mongolia

Auditor

BDO Audit LLC
10th floor, AB center Building,
University Street 31/1, Khoroo-6,
Sukhbaatar District,
Ulaanbaatar-142193,
Mongolia

**Statement of Management’s Responsibility for the
preparation and approval of separate financial statements
for the year ended 31 December 2014**

The following statement, which should be read in conjunction with the independent auditor’s responsibilities stated in the independent auditor’s report is made with a view to distinguishing the respective responsibilities of management and those of the independent auditors in relation to the separate financial statements of Ard Financial Group LLC (“Company”) for the year ended 31 December 2014.

The management of the company is responsible for the preparation of the separate financial statements that present fairly, in accordance with the relevant International Financial Reporting Standards (“IFRS”) and accounting law, regulations and guidelines that are effect in Mongolia and the financial statements present fairly the financial position as at 31 December 2014, the financial performance, the cash flows and the changes in equity for the year then ended in accordance with the IFRS.

In preparing these separate 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 rules and guidelines of 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.

The Management is also responsible for:

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

On behalf of the Company’s management, the separate financial statements for the year ended 31 December 2014 were authorized for issuance on 20 of May, 2015.

Ch. Ganhuyag
Executive Director

T. Battsengel
Accountant

Date: _____

Ulaanbaatar, Mongolia

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF "ARD FINANCIAL GROUP" LLC

We have audited the accompanying separate financial statements of ARD FINANCIAL GROUP LLC, which comprise of the Separate Statement of Financial Position as of 31 December 2014 and the Separate Statement of Profit or Loss and Comprehensive Income, Separate Statement of Changes in Equity and Separate Statement of Cash Flow for the year ended 31 December 2014, and other explanatory notes to the separate financial statements and a summary of significant accounting policies, as set out on pages 5 to 58.

Management responsibility for the separate financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Accounting Standard 27, *Separate Financial Statements* ("IAS 27"). These responsibilities include implementing and maintaining an 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, choosing and using an appropriate accounting policies and making accounting estimates that are appropriate for the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing issued by International Federation of Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 separate financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company'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)

Auditor's opinion

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of Ard Financial Group LLC, as at 31 December 2014, and its separate financial performance and separate cash flow for the year then ended in accordance with the International Accounting Standard 27, *Separate Financial Statements* ("IAS 27").

Use of this report

This report is made solely to the shareholders of Ard Financial Group LLC, as a body, in accordance with Article 94 of Company Law of Mongolia. We do not assume responsibility to any other person for the content of this report.

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

Date: _____

ARD FINANCIAL GROUP
Limited Liability Company

**SEPARATE STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**
for the year ended 31 December 2014

	Notes	2014 MNT'000	2013 MNT'000
Operating income	5	6,801,686	627,600
The carrying amount of investments	6	(1,122,042)	-
Gross income / (loss)		5,679,644	627,600
Realized gains in the fair value of investments		(6,545,956)	-
General and administrative expenses	7	(1,453,532)	(157,628)
Personnel costs	8	(390,231)	(230,013)
Non-operating income	9	-	19,238
Operating profit/(loss)		(2,710,075)	259,197
Gain from changes in the fair value of investment property		415,584	-
Gain from changes in fair value of financial assets valued at fair value through profit or loss		(91,483)	14,520,275
Net finance cost	10	177,365	(426,583)
Profit / (loss) before tax		(2,208,609)	14,352,889
Income tax expense	11	(518,144)	(8,127)
Deferred tax benefit/ (expense)	11	975,939	(4,077,963)
Net profit / (loss) for the year		(1,750,815)	10,266,799
Other comprehensive income:			
<i>Items that will not be reclassified to profit or loss:</i>			
Gains from changes in the fair value of investments		933,684	1,791,577
Total comprehensive profit / (loss)		(817,131)	12,058,376

The notes set out on pages 10-59 form an integral part of these financial statements.

ARD FINANCIAL GROUP
Limited Liability Company

SEPARATE STATEMENT OF FINANCIAL POSITION
for the year ended 31 December 2014

	Notes	At 31 Dec 2014 MNT'000	At 31 Dec 2013 MNT'000	At 01 Jan 2013 MNT'000
ASSETS				
Non-current assets				
Property, plant and equipment	12	189,414	348,472	358,606
Investment properties	13	675,148	-	-
Financial investments at fair value	14	32,024,057	31,499,654	15,647,429
Total non-current assets		32,888,619	31,848,126	16,006,035
Current assets				
Inventory		1,301	16	3,010
Prepaid expenses	17	100,876	306,738	155,884
Short-term investments	18	177,820	-	-
Loans to subsidiaries and associates	15	521,878	535,948	244,234
Loans receivable	16	207,267	586,200	556,989
Trade and other receivables	19	168,543	116,010	462,626
Cash and cash equivalents	20	408,470	182,868	209,802
Total current assets		1,586,155	1,727,780	1,632,545
TOTAL ASSETS		34,474,774	33,575,906	17,638,580
EQUITY AND LIABILITIES				
Equity				
Share capital	21	1,833,551	1,703,147	1,703,147
Treasury stock	21	(154,018)	(326,929)	(260,748)
Share premium	22	9,298,761	3,246,555	3,303,839
Retained earnings		10,969,818	13,128,835	3,053,675
Fair value adjustment reserve	23	6,225,670	5,291,986	3,500,408
Other equity instruments	24	13,799	13,799	13,799
Total equity		28,187,581	23,057,393	11,314,120
Liabilities				
Non-current liabilities				
Long-term loan	25	-	210,999	3,626,976
Long-term finance lease payable	26	-	199	12,594
Deferred tax liabilities	28	4,671,006	5,646,944	1,568,981
Total non-current liabilities		4,671,006	5,858,142	5,208,551
Current liabilities				
Trade and other payables	27	790,940	2,449,893	967,007
Current portion of long-term loan	25	210,999	2,042,055	
Current portion of long-term finance lease payable	26	-	24,793	12,396
Income tax payable		478,069	7,452	65
Other current liabilities		136,179	136,178	136,441
Total current liabilities		1,616,187	4,660,371	1,115,909
Total liabilities		6,287,193	10,518,513	6,324,460
TOTAL EQUITY AND LIABILITIES		34,474,774	33,575,906	17,638,580

The notes set out on pages 10-59 form an integral part of these financial statements.

ARD FINANCIAL GROUP
Limited Liability Company

SEPARATE STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2014

	Share Capital	Treasury stock	Share premium	Fair value adjustment reserve	Retained earnings	Other equity instruments	TOTAL
	MNT'000	MNT'000	MNT'000	MNT'000	MNT'000	MNT'000	MNT'000
	(Note 21)	(Note 21)	(Note 22)	(Note 23)		(Note 24)	
Balance at 01 January 2013	1,703,147	(260,748)	3,303,839	-	6,554,083	13,799	11,314,120
Fair value adjustment	-	-	-	3,500,408	(3,500,408)	-	-
Adjusted balance at 01 Jan 2013	1,703,147	(260,748)	3,303,839	3,500,408	3,053,675	13,799	11,314,120
Share repurchase	-	(77,069)	(155,107)		(191,639)	-	(423,815)
Reissued treasury shares	-	10,888	97,823		-	-	108,711
Profit for the year	-	-	-		10,266,799	-	10,266,799
Fair value adjustment				1,791,578			1,791,578
Balance at 31 December 2013	1,703,147	(326,929)	3,246,555	5,291,986	13,128,835	13,799	23,057,393
Share repurchase	-	(57,397)	(114,634)		(408,202)	-	(580,233)
Reissued of treasury shares	130,404	230,308	6,166,840		-	-	6,527,552
Loss for the year	-	-	-		(1,750,815)	-	(1,750,815)
Fair value adjustment				933,684			933,684
Balance at 31 December 2014	1,833,551	(154,018)	9,298,761	6,225,670	10,969,818	13,799	28,187,581

The notes set out on pages 10-59 form an integral part of these financial statements.

ARD FINANCIAL GROUP
Limited Liability Company

SEPARATE STATEMENT OF CASH FLOWS
for the year ended 31 December 2014

	2014 MNT'000	2013 MNT'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit/(loss) before taxation	(2,208,609)	14,352,889
<i>Adjustments:</i>		
Depreciation and amortization	40,125	11,467
Interest income	(98,193)	(45,529)
Interest expense	52,756	226,292
Gains from/(loss on) foreign currency trading	-	(4,952)
Gains from/(loss on) foreign exchangedifferences	(92,413)	77,035
Expenses from allowance for doubtful debts	470,374	-
Gain from revaluation of financial assets at fair value through profit or loss	(323,687)	(14,520,274)
Difference between fair value of investments sold and the realized sales price	1,017,873	-
Operating profit before changes in working capital	(1,141,774)	96,928
<i>Changes in working capital:</i>		
Financial assets at fair value through profit or loss	-	149,475
Other assets	(148,215)	498,756
Other liabilities	(2,048,575)	1,491,928
Cash flows generated from/(used in) operating activities	(3,338,564)	2,237,087
Interest received	229,782	25,753
Interest paid	(52,756)	(235,596)
Income tax paid	(47,527)	(739)
Net cash flow from operating activities	3,209,065	2,026,504
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property, plant and equipment	(180,591)	(1,333)
Proceeds from sale of property, plant and equipment	39,960	
Acquisition of equity investments	(713,000)	(300,000)
Acquisition of marketable securities	(27,820)	-
Acquisition of bonds	(150,000)	-
Proceeds from sale of investments	6,650,124	-
Net cash flows generated from Investing activities	5,618,673	(301,333)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Loans provided to subsidiary	(431,337)	(532,526)
Repayment of loans provided to subsidiaries	314,377	296,117
Repayment of loan received	(2,067,046)	(1,515,697)
Net cash flows generated from financing activities	(2,184,006)	(1,752,104)
Total net cash flow	225,602	(26,934)
Cash and cash equivalents at the beginning of the year	182,868	209,802
Cash and cash equivalents at the end of the year	408,470	182,868

The notes set out on pages 10-59 form an integral part of these financial statements.

ARD FINANCIAL GROUP

Limited Liability Company

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2014

1. REPORTING ENTITY

Ard Financial Group LLC (the “Company”) was incorporated as a Limited Liability Company in accordance with the shareholders’ resolution dated 10 October 2005 under the name “EIT” LLC.

Ard Financial Group LLC was initially registered to the State Registration Office of Mongolia on 18 October 2005 and was granted the State Registration Certificate No. 9011036140 with registration No. 5024145.

In accordance with the board of directors’ resolution on 08 April 2014, the Company’s name was changed from EIT to Ard Financial Group LLC and was re-registered to the State Registration Office on 26 June of 2014.

The principal activities of the Company are business consulting and investment. The company has made investments in various companies described in Note 14 and the major activities of those companies are discussed further in Note 14 of these financial statements.

2. BASIS OF SEPARATE FINANCIAL STATEMENT PREPARATION

These separate financial statements have been prepared in accordance with IAS 27, *Separate Financial Statements* and it represents the separate financial statements of the Company. The Company has prepared its separate financial statements in accordance with the accounting laws that are effect in Mongolia and the investments in subsidiaries, associates and joint ventures have been measured and reported at fair value. Significant accounting policies used in the preparation of these separate financial statements are set out in Note 33. The policies set out in Note 33 have been applied consistently in previous years unless otherwise stated.

The Company’s functional and reporting currency is Mongolian Tugrug (“MNT”). These separate financial statements, expressed in MNT, and have been presented in MNT rounded to nearest thousand.

These separate financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and interpretations issued by Reporting Committee of IASB, except for the IFRS and IAS mentioned below:

- IFRS 10, Consolidated Financial Statements;
- IFRS 11, Joint venture,
- IFRS 12, Disclosure of Interest in Other Entities.

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

Basis of measurement

The financial statements have been prepared in accordance with historical cost convention, except for (see detailed information from appropriate accounting policy) followings:

- Financial instrument – fair value through profit or loss;
- Net defined benefit liability.

Going concern assumption

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

ARD FINANCIAL GROUP
Limited Liability Company

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2014

2. BASIS OF SEPARATE FINANCIAL STATEMENT PREPARATION

Changes in accounting policies

a) *Changes in accounting policies due to restructuring the Company from an Investment Entity to Holding Company where investments are measured at fair value*

The Company was operating as an Investment Entity until 31 December 2013 and all investments in subsidiaries were recognized and reported as financial assets at fair value through profit or loss in accordance with IFRS 9, *Financial Instruments*.

The management of the Company decided to restructure the Company as a Holding Company starting from 31 December 2014. In order to prepare Separate financial statements for the holding company, investments were measured at fair value and recognized in other comprehensive income in accordance with IFRS 9 and Paragraph 10(b) of IAS 27, *Separate Financial Statements*.

Retrospective method was used when reporting the changes in accounting policies.

These financial statements are not consolidated financial statements prepared in accordance with the IFRS 10, *Consolidated Financial Statements*.

b) New standards, amendments and interpretations, which are in effect from 01 January 2014.

One new interpretation and a number of amendments are effective for the first time for periods beginning on (or after) 1 January 2014, and have been adopted in these financial statements. The nature and effect of the new interpretation and each amendment adopted by the Company is detailed below.

New or amended IFRS, interpretations	Summary of requirements	Implications on Financial Statements
Amendments to IAS 32 <i>Financial instrument: Disclosure</i>	<p><i>Offsetting Financial Assets and Financial Liabilities</i></p> <p>The amendment clarifies the accounting requirements for offsetting financial instruments.</p> <p>IAS 32.42, which is unchanged, requires that an entity offsets financial assets and financial liabilities when it has a legally enforceable right to set off the recognized amounts, and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. However, new guidance in IAS 32.AG38B clarifies that the right of set-off:</p> <ul style="list-style-type: none"> a) Must not be contingent on a future event; and b) Must be legally enforceable in all of the following circumstances: <ul style="list-style-type: none"> i) The normal course of business; ii) The event of default; and iii) The event of insolvency or bankruptcy of the entity and all of the counterparties. <p>Some gross settlement systems, which are used to settle financial assets and financial liabilities, may be considered equivalent to net settlement. If an entity can settle amounts in a manner such that the outcome is, in effect, equivalent to net settlement, offset will be required. This is only the case if the gross settlement system has features that either eliminate, or result in insignificant, credit and liquidity risk and will process receivables and payable in a single settlement process or cycle.</p> <p>Mandatory adoption for periods beginning on or after 1 January 2014.</p>	No material impact

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2014

2. BASIS OF SEPARATE FINANCIAL STATEMENT PREPARATION (continued)

Changes in accounting policies (continued)

- c) New standards, amendments and interpretations, which are in effect from *01 January 2014*
(continued)

New or amended IFRS, interpretations	Summary of requirements	Implications on Financial Statements
IFRIC 21, Levies	<p>IFRIC 21 provides guidance on when to recognize a liability for a government imposed levies that:</p> <ul style="list-style-type: none"> - Are accounted for in accordance with IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i> - Where the timing and amount are certain. <p>IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation.</p> <p>The following factors do not create or imply the existence of an obligating event:</p> <ul style="list-style-type: none"> - Preparation of the financial statements under the going concern principle - Economic compulsion of the entity. <p>The recognition of a levy liability occurs progressively so long as the obligating event itself occurs over a period of time. If the levy is subject to a minimum threshold, recognition of a levy liability occurs only at the point the minimum threshold is breached, and not before.</p> <p>Mandatory adoption for periods beginning on or after 1 January 2014.</p>	No material impact
<p>IFRS 11 Joint Arrangements</p> <p>Issued: May 2014</p>	<p><i>Amendment to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations</i></p> <p>The amendments require an entity to apply all of the principles of IFRS 3 <i>Business Combinations</i> when it acquires an interest in a joint operation that constitutes a business as defined by IFRS 3.</p> <p>Mandatory adoption for periods beginning on or after 1 January 2016.</p>	No material impact
<p>Amendments to IAS 36</p> <p>Issued: May 2013</p>	<p><i>Disclosure – Recoverable amount of an asset (or CGU)</i></p> <p>IAS 36.134(c) currently requires that the recoverable amount of an asset (or CGU) is disclosed (if its carrying amount is significant), irrespective of whether impairment has been recorded or reversed in respect of that asset (or CGU) during the period.</p>	No material impact
<p>Amendments to IAS 27, Separate Financial Statements</p> <p>Issued on December 2014</p>	<p><i>Equity method in separate financial statements</i></p> <p>An amendment to this standard state about an option to account for its investments in joint venture and subsidiaries using equity method in its separate financial statements. If an entity that applies IFRS in its financial statements has chosen to use equity method, it shall be given reversal procedures. If an entity adopts IFRS first time, the equity method shall be applied when an entity starts to adopt IFRS.</p> <p>The standard is in effect (mandatory) on or after 1 January 2016.</p>	No material impact

ARD FINANCIAL GROUP
Limited Liability Company

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2014

2. BASIS OF SEPARATE FINANCIAL STATEMENT PREPARATION (continued)

Changes in accounting policies (continued)

b) New standards, amendments and interpretations, which are in effect from 01 January 2014
(continued)

New or amended IFRS, interpretations	Summary of requirements	Implications on Financial Statements
<p>IFRS 7, Financial Instruments: Disclosures</p>	<p><i>Servicing contracts and the applicability of offsetting amendments in condensed interim financial statements</i> <i>Servicing contracts</i> The IASB clarified the circumstances in which an entity has continuing involvement from the servicing of a transferred asset. Continuing involvement exists if the servicer has a future interest in the performance of the transferred financial asset.</p> <p><i>Applicability of the offsetting amendments in condensed interim financial statements</i> A further amendment to IFRS 7 has clarified that the application of the amendment Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) issued in December 2011 is not explicitly required for all interim periods. However, it is noted that in some cases these disclosures may need to be included in condensed interim financial statements in order to comply with IAS 34. Mandatory adoption for periods beginning on or after 1 January 2016.</p>	<p>No material impact</p>
<p>IFRS 9, Financial Instruments</p> <p>Issued: July 2014</p>	<p>IAS 39 <i>Financial instruments</i>: All assets within the scope of Recognition and Measurement shall apply IFRS 9 (2009). According to IFRS 9, at initial recognition, all financial assets shall be recognized at their fair value (in the case of financial asset or liability not at fair value through profit or loss, add transaction costs that are directly attributable to the acquisition or issue of the financial assets or liability) and subsequent measurement would be one of the following:</p> <ul style="list-style-type: none"> - Amortised cost - Fair value <p>In IFRS 9 (2009), classifications such as held until maturity, available for sale and loan and receivables were deleted. Moreover, statement that states, "if fair value of equity instruments and relevant instruments cannot be measured reliably, they shall be measured at their cost" were deleted and all these instruments shall be measured at their fair value. These shall be applied if entities' first time adoption is on or before February 2015.</p>	<p>Material impact</p>

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2014

2. BASIS OF SEPARATE FINANCIAL STATEMENT PREPARATION (continued)

Changes in accounting policies (continued)

b) New standards, amendments and interpretations, which are in effect from 01 January 2014
(continued)

New or amended IFRS, interpretations	Summary of requirements	Implications on Financial Statements
IFRS 9 (2014) , <i>Financial Instruments</i>	<p>IFRS 9 <i>Financial Instruments</i> (2014) incorporates the final requirements on all three phases of the financial instruments projects – classification and measurement, impairment, and hedge accounting.</p> <p>IFRS 9 (2014) adds to the existing IFRS 9:</p> <ul style="list-style-type: none"> - New impairment requirements for all financial assets that are not measured at fair value through profit or loss - Amendments to the previously finalized classification and measurement requirements for financial assets. <p>In a major change, which will affect all entities, a new ‘expected loss’ impairment model in IFRS 9 (2014) replaces the ‘incurred loss’ model in IAS 39 <i>Financial Instruments: Recognition and Measurement</i>. Under IFRS 9 (2014), the impairment model is a more ‘forward looking’ model in that a credit event (or impairment ‘trigger’) no longer has to occur before credit losses are recognized.</p> <p>Mandatory adoption for periods beginning on or after 1 January 2018.</p>	Material impact
IFRS 9 (own credit risk requirements) <i>Financial Instruments</i>	<p>IFRS 9 (2014) provides an option to early adopt the ‘own credit’ provisions for financial liabilities measured at fair value through profit or loss (FVTPL) under the fair value option without any of the other requirements of IFRS 9. This option will remain available until 1 January 2018.</p> <p>Entities that use the fair value option and designate financial liabilities at fair value through profit or loss (FVTPL) present the fair value changes in ‘own credit’ in OCI instead of profit or loss. This amendment is expected to mainly affect financial institutions and insurers.</p> <p>Can be applied until the effective date of IFRS 9 (2014) which is 1 January 2018.</p>	No material impact
IFRS 13 , <i>Fair Value Measurement</i>	<p><i>Short-term receivables and payables</i></p> <p>The amendment clarifies that short-term receivables and payables with no stated interest rate can still be measured at the invoice amount without discounting, if the effect of discounting is immaterial.</p> <p>Mandatory adoption for periods beginning on or after 1 July 2014.</p>	Material impact

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2014

2. BASIS OF SEPARATE FINANCIAL STATEMENT PREPARATION (continued)

Changes in accounting policies (continued)

b) New standards, amendments and interpretations, which are in effect from 01 January 2014
(continued)

New or amended IFRS, interpretations	Summary of requirements	Implications on Financial Statements
<p>IFRS 15, <i>Revenue from Contracts with Customers</i></p> <p>Issued: May 2014</p>	<p>IFRS 15 <i>Revenue from Contracts with Customers</i> supersedes IAS 18 <i>Revenue</i>, IAS 11 <i>Construction Contracts</i> and related Interpretations (IFRIC 13 <i>Customer Loyalty Programmes</i>, IFRIC 15 <i>Agreements for the Construction of Real Estate</i>, IFRIC 18 <i>Transfers of Assets from Customers</i> and SIC 31 <i>Revenue – Barter Transactions Involving Advertising Services</i>).</p> <p>The objective of IFRS 15 is to clarify the principles of revenue recognition. This includes removing inconsistencies and perceived weaknesses and improving the comparability of revenue recognition practices across companies, industries and capital markets. In doing so IFRS 15 establishes a single revenue recognition framework. The core principle of the framework is, that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Mandatory adoption for periods beginning on or after 1 January 2017.</p>	<p>Material impact</p>
<p>IAS 16, <i>Property, Plant and Equipment</i> Improvements</p>	<p><i>Revaluation method – proportionate restatement of accumulated depreciation</i></p> <p>The amendment clarifies the computation of accumulated depreciation when items of property, plant and equipment are subsequently measured using the revaluation model. Mandatory adoption for periods beginning on or after 1 July 2014.</p> <p><i>Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortization</i></p> <p>Paragraph 62A has been added to prohibit the use of revenue-based methods of depreciation for items of property, plant and equipment.</p> <p>Paragraph 56, which includes guidance for the depreciation amount and depreciation period, has been expanded to state that expected future reductions in the selling price of items produced by an item of property, plant and equipment could indicate technical or commercial obsolescence (and therefore a reduction in the economic benefits embodied in the item), rather than a change in the depreciable amount or period of the item. Mandatory adoption for periods beginning on or after 1 January 2016.</p>	<p>No material impact</p>

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

Changes in accounting policies (continued)

a) New standards, amendments and interpretations, which are not yet in effect from *01 January 2014*
(continued)

New or amended IFRS, interpretations	Summary of requirements	Implications on Financial Statements
<p>IAS 19, <i>Employee Benefits</i></p>	<p><i>Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions</i> The amendment introduces a narrow scope amendments that:</p> <ul style="list-style-type: none"> - Provides a practical expedient for certain contributions from employees or third parties to a defined benefit plan, but only those contributions that are independent of the number of years of service - Clarify the treatment of contributions from employees or third parties to a defined benefit plan that are not subject to the practical expedient. These are accounted for in the same way that the gross benefit is attributed in accordance with IAS 19.70. <p>Mandatory adoption for periods beginning on or after 1 July 2014.</p> <p><i>Discount rate – regional market issue</i> The guidance in IAS 19 has been clarified and requires that high quality corporate bonds used to determine the discount rate for the accounting of employee benefits need to be denominated in the same currency as the related benefits that will be paid to the employee. Mandatory adoption for periods beginning on or after 1 January 2016.</p>	<p>No material impact</p>
<p>IAS 24, <i>Related Party Disclosures</i></p>	<p><i>Key management personnel</i> The amendment clarifies that an entity that provides key management personnel services ('management entity') to a reporting entity (or to the parent of the reporting entity), is a related party of the reporting entity, and:</p> <ul style="list-style-type: none"> - Would require separate disclosure of amounts recognized as an expense for key management personnel services provided by a separate management - Entity would not require disaggregated disclosures by the categories set out in IAS 24.17. <p>Mandatory adoption for periods beginning on or after 1 July 2014.</p>	<p>No material impact</p>

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2014

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Expected useful lives of depreciable assets

Management reviews the useful lives of depreciable assets including property, plant and equipment and intangible assets at each reporting date based on the expected utility of the assets to the Company. Due to technical obsolescence, actual results may differ from estimates and assumptions. Detailed information on useful lives of property, plant and equipment is provided in Note 11.

(b) Deferred tax assets

Deferred tax assets are reassessed at the end of the each reporting period. Deferred tax assets are partially or fully discounted when it is determined that they can no longer give sufficient future tax benefits. Future expected performance is used in determining measurement probability. Number of factors is taken into account in determining future probable use of deferred tax assets. This includes past operating results, operating plans, expiration of tax losses carried forward and tax planning strategies. If actual results differ from estimated amount or estimation, adjustments will be made in future financial statements and it will have an effect on cash flows and operating results.

In the event that the assessment of future utilization of deferred tax assets must be reduced, this reduction will be recognized in the income statement.

(c) Fair value measurement of financial instruments

When the fair value of financial assets and liabilities presented in the financial statements is not based on active market information, the fair value is determined using a number of valuation models covering various valuation methods and techniques. If possible, inputs from an observable market should be used for those models and techniques. If not, fair value should be determined using estimates. Credit risks, correlation and variances relating to inputs used in liquidity and valuation methods should be considered during the estimation process. Changes in assumptions of these factors affect when reporting the fair value of financial instruments in the statement of financial position. Financial instruments are classified into 12 fair value levels. If possible, valuation models are tested and confirmed using the price derived from observable information in current market for similar or identical instruments.

(d) Impairment

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

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

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2014

4. FINANCIAL INSTRUMENT - RISK MANAGEMENT

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

- Credit risk
- Market risk
- Liquidity risk

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

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

(i) Key financial instruments

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

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

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2014

4. FINANCIAL INSTRUMENT - RISK MANAGEMENT (continued)

(ii) Financial instruments by category (continued)

a. Financial assets by category

	Financial assets at fair value through profit or loss			Loans and receivables			Available-for-sale		
	2014 MNT'000	2013 MNT'000	2012 MNT'000	2014 MNT'000	2013 MNT'000	2012 MNT'000	2014 MNT'000	2013 MNT'000	2012 MNT'000
Cash and cash equivalents	408,470	182,868	209,802	-	-	-	-	-	-
Trade and other receivables	-	-	-	168,543	116,010	462,626	-	-	-
Loans to subsidiaries	-	-	-	521,878	535,948	244,234	-	-	-
Loans to others	-	-	-	207,267	586,200	556,989	-	-	-
Investments at fair value	32,024,057	31,499,654	15,647,429	-	-	-	-	-	-
Total financial assets	32,432,527	31,682,52	15,857,231	897,688	1,238,158	1,263,849	-	-	-

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2014

4. FINANCIAL INSTRUMENT - RISK MANAGEMENT (continued)

(ii) Financial instruments by category (continued)

b. Financial liabilities by category

	Financial liabilities at fair value through profit or loss			Financial liabilities measured at fair value in other comprehensive income			Financial liabilities at amortized cost		
	2014 MNT'000	2013 MNT'000	2012 MNT'000	2014 MNT'000	2013 MNT'000	2012 MNT'000	2014 MNT'000	2013 MNT'000	2012 MNT'000
Trade and other payables	775,941	2,449,893	847,803	-	-	-	-	-	-
Current portion of long-term borrowings	210,999	2,042,055	-	-	-	-	-	-	-
Current portion of long-term financial lease	-	24,793	12,396	-	-	-	-	-	-
Other current liabilities	136,179	136,178	136,441	-	-	-	-	-	-
Long-term borrowings and leases payable	-	211,198	3,639,570	-	-	-	-	-	-
Total financial liabilities	1,123,119	4,864,117	4,636,210	-	-	-	-	-	-

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2014

4. FINANCIAL INSTRUMENT - RISK MANAGEMENT (continued)

(iii) Financial instruments not measured at fair value

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

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

(iv) Financial instruments measured at fair value

The fair value levels of financial instruments measured at fair value are shown below. The Company's financial instruments at fair value are measured according to Level 3 and 2.

The fair value of financial instruments by their fair value levels as at 31 December 2014 is as follows:

	Level 1 MNT'000	Level 2 MNT'000	Level 3 MNT'000	Total MNT'000
Financial assets				
Subsidiaries	-	-	7,519,014	7,519,014
Joint ventures	-	-	11,424,868	11,424,868
Associates	-	-	-	6,337,200
Non-controlling interest	-	-	13,080,175	13,080,175
Net financial assets	-	-	32,024,057	32,024,057

The fair value of financial instruments by their fair value levels as at 31 December 2013 is as follows:

	Level 1 MNT'000	Level 2 MNT'000	Level 3 MNT'000	Total MNT'000
Financial assets				
Subsidiaries	-	-	1,181,814	1,181,814
Joint ventures	-	19,283,310	9,824,868	29,108,178
Associates	-	-	-	-
Non-controlling interest	-	160,945	1,048,717	1,209,662
Net financial assets	-	19,444,256	12,055,398	31,499,654

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2014

4. FINANCIAL INSTRUMENT - RISK MANAGEMENT (continued)

(iv) Financial Instruments measured at fair value (continued)

The fair value of financial instruments by their fair value levels as at 31 December 2012 is as follows:

	Level 1 MNT'000	Level 2 MNT'000	Level 3 MNT'000	Total MNT'000
Financial assets				
Subsidiaries	-	-	1,746,925	1,746,925
Joint ventures	-	-	7,469,180	7,469,180
Associates	-	5,228,532	-	5,228,532
Non-controlling interest	-	119,265	1,083,527	1,202,792
Net financial assets	-	5,347,796	10,299,633	15,647,429

There were no transfers between the fair value levels during the period. The Level 2 and 3 of the valuation methodology used in measuring the fair value of financial instruments and influential non-observable data and the relationship between the non-observable data and the fair value are shown in the following table.

Financial instrument	Valuation methods used	Influential non-observable data <i>(Only Level 3)</i>	The relationship between the main non-observable data and the fair value <i>(Only Level 3)</i>
Investments in:			
Tenger Financial Group LLC	Market price of shares	Business plan and best use	Market price of shares
Nomiin Khishig LLC	Income trend	Business plan and best use	Cash flow, discount rate and risk level
Ard Credit LLC	Discounted free cash flow method	Business plan and best use	Cash flow, discount rate and risk level
EIT Capital Management LLC	Market price of shares	Business plan and best use	Market price of shares
Engineering and Technology University	Discounted free cash flow method	Business plan and best use	Cash flow, discount rate and risk level
Monet Capital LLC	Discounted free cash flow method	Business plan and best use	Cash flow, discount rate and risk level
Tenger Systems LLC	Discounted free cash flow method	Business plan and best use	Cash flow, discount rate and risk level

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued) for the year ended 31 December 2014

4. FINANCIAL INSTRUMENT - RISK MANAGEMENT (continued)

General objectives, policies and processes

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

a) Credit risk

The Company may have exposure to credit risk arising from 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.

The main exposure of credit risk concentrates on trade and receivables balance of MNT168 million (2013: 116 million) disclosed in Note 19.

The credit risk arises from cash and cash equivalents and balance at bank accounts.

The credit risk also arises from cash equivalents and deposits placed with banking and financial institutions. Only 'A' rated banks and financial institutions are recognized. Significant cash balances are deposited with the following institutions:

	At 31 Dec 2014			At 31 Dec 2013		
	Rating	Current Account	Short-term savings	Rating	Current Account	Short-term savings
		MNT'000	MNT'000		MNT'000	MNT'000
Xac bank	A	-	267,154	A	-	180,929
State bank	A	11	-	A	9	-
Golomt bank	A	1,991	-	A	1,884	-
Khaan bank	A	35	-	A	47	-
Non-bank financial institutions	A	-	139,280	A	-	-
		2,036	406,434		1,939	180,929

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2014

4. FINANCIAL INSTRUMENT - RISK MANAGEMENT (continued)

b) Market risk

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

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

i. Interest rate risk

Interest rate risk is the risk that the fair value or cash flows of financial instruments will fluctuate as a result of changes in market rates. The Company's exposure to interest rate fluctuation risk is associated with the long-term loan borrowed from banks. MNT 210 million loan disclosed in the Note 25 of these financial statements has the potential to expose the Company to interest rate risk.

ii. Foreign currency risk

The Company is exposed to foreign currency risk arising from loans provided to or investments in others, funding or loans from banks and financial institutions, and purchases and sales that are denominated in currencies other than Mongolian Tugrug. The Company is exposed to risks arising from USD. Foreign exchange rate fluctuations might have significant impact to the Company's financial position and cash flows.

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

Currencies	Average price		Closing price	
	2014	2013	12/31/2014	12/31/2013
USD	1,817.94	1,523.93	1,885.60	1,654.10

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2014

4. FINANCIAL INSTRUMENT - RISK MANAGEMENT (CONTINUED)

The foreign currency risk as of 31 December 2013, 2014 are shown below:

	Instruments in MNT			Instruments in USD			Total amount		
	2014 MNT'000	2013 MNT'000	2012 MNT'000	2014 MNT'000	2013 MNT'000	2012 MNT'000	2014 MNT'000	2013 MNT'000	2012 MNT'000
<i>Financial instruments</i>									
Financial assets									
Trade and other receivables	132,123	116,010	462,627	36,420	-	-	168,543	116,010	462,627
Loans to subsidiaries	4,976	53,019	21,427	516,901	482,929	222,807	521,877	535,948	244,234
Loans to non-related parties	33,004	437,815	446,925	174,263	148,385	110,064	207,267	586,200	556,989
Cash and cash equivalents	61,002	180,201	208,835	347,468	2,667	968	408,470	182,868	209,802
Investments at fair value	32,024,057	31,499,654	15,647,429				32,024,057	31,499,654	15,647,429
Total financial assets	32,255,162	32,286,699	16,787,243	1,075,052	633,981	333,839	33,330,214	32,920,680	17,121,081

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2014

4. FINANCIAL INSTRUMENT - RISK MANAGEMENT (CONTINUED)

ii. Foreign currency risk (continued)

	Instruments in MNT			Instruments in USD			Total amount		
	2014 MNT'000	2013 MNT'000	2012 MNT'000	2014 MNT'000	2013 MNT'000	2012 MNT'000	2014 MNT'000	2013 MNT'000	2012 MNT'000
Financial liabilities									
Trade and other payables	403,347	379,241	303,252	372,594	2,070,652	544,551	775,941	2,449,893	847,803
Current portion of long-term borrowings	210,999	2,042,055		-	-	-	210,999	2,042,055	-
Current portion of long-term financial lease	-	24,793	12,396	-	-	-	-	24,793	12,396
Other current liabilities	136,179	136,179	136,441	-	-	-	136,179	136,179	136,441
Long-term borrowing and finance leases payable	-	211,198	2,897,627	-	-	741,943	-	211,198	3,639,570
Total financial liabilities	750,525	2,793,466	3,349,716	372,594	2,070,652	1,286,494	1,123,119	4,864,118	4,636,210
Net financial (liabilities)/ assets	31,504,637	29,493,232	13,437,527	702,458	(1,436,671)	(952,655)	32,207,095	28,056,561	12,484,871

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2014

4. FINANCIAL INSTRUMENT - RISK MANAGEMENT (CONTINUED)

iii. Liquidity risk

Liquidity risk arises from the Company's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due.

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

Liquidity risk depends on the Company's ability to manage its cash flows. The Company prepares budgets for the year based on the valuation of needs and requirements of cash flows. The following table sets out the contractual maturities of financial liabilities as at 31 December of 2013 and 2014:

At 31 December 2013	Up to 3 months MNT'000	3-12 months MNT'000	1-2 years MNT'000
Trade and other payables	1,908,520	11,559	529,815
Other current liabilities	-	-	136,179
Long-term borrowings	1,989,055	53,000	210,999
Total	3,897,574	64,559	876,993
At 31 December 2014	Up to 3 months MNT'000	3-12 months MNT'000	1-2 years MNT'000
Trade and other payables	221,370	569,571	-
Other current liabilities	-	-	136,179
Long-term borrowings	210,999	-	-
Total	432,369	569,571	136,179

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
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5. OPERATING INCOME

	2014	2013
	MNT'000	MNT'000
Management service fee and the success fee	107,759	620,623
Income from stock exchange charges	43,802	6,977
Proceeds from the sale of investments	6,650,125	-
	6,801,686	627,600

6. COST OF INVESTMENTS SOLD

This amount represents the cost of 1,214,357 shares of EIT Capital Management LLC sold to Mongolian Financial Services LLC.

7. ADMINISTRATION EXPENSES

	2014	2013
	MNT'000	MNT'000
Training expenses	(1,093)	-
Rental expense	(30,798)	-
Utility expense	(13,825)	(11,751)
Business trip expense	(86,307)	(29,534)
Depreciation expense	(40,125)	(14,477)
Repair and maintenance expense	(7,352)	(358)
Advertising expenses	(48,240)	-
Postal and communication expense	(16,299)	(10,324)
Office supplies	(13,109)	(1,300)
Fuel expense	(14,337)	(14,871)
Professional service expense	(138,216)	(23,462)
Donation and special events expense	(77,884)	(43,397)
Service fees charged	(13,477)	(4,173)
Other expenses	(475,905)	(1,700)
Transportation expense	(918)	(10)
Cleaning supply	(489)	(294)
Supply materials - tea and other sundry items	(1,574)	(723)
Compensation and benefits expenses	-	-
Real estate tax expense	(2,927)	(1,254)
Motor vehicles tax expense	(283)	-
Bad debts expense	(470,374)	-
	(1,453,532)	(157,628)

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2014

8. PERSONNEL EXPENSES

	2014 MNT'000	2013 MNT'000
Salaries and wages	(295,299)	(207,218)
Social security insurance expense	(38,512)	(22,795)
Defined benefit plan expense	(2,420)	-
Remuneration expense	(54,000)	-
	(390,231)	(230,013)

9. NON-OPERATING INCOME

	2014 MNT'000	2013 MNT'000
Rental income	-	9,164
Proceeds from the sale of properties	-	10,074
	-	19,238

10. NET FINANCE COST

	2014 MNT'000	2013 MNT'000
Finance income		
Interests earned on current and savings accounts	18,991	10,800
Loan interest income	113,715	26,356
Bond interest income	22,061	-
Trading gains or losses	11,095	4,952
Gain from foreign exchange difference	522,726	468,394
	688,588	510,502
Finance costs		
Interest expense	(83,916)	(249,539)
Financial fees and charges	(1,971)	(7,747)
Loss on foreign exchange difference	(425,336)	(679,799)
	(511,223)	(937,085)
Net finance income / (cost)	177,365	(426,583)

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2014

11. INCOME TAX EXPENSE

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

	2014	2013
	MNT'000	MNT'000
Profit before tax	(2,208,610)	14,352,889
Permanent tax differences	6,846,046	122,289
Non-taxable income	(522,726)	(468,394)
Special rate of taxation	(154,766)	(81,268)
Non-deductible tax expenses	7,523,538	671,951
Temporary tax differences	(324,100)	(14,520,275)
Temporary tax effect	(324,100)	(14,520,25)
Taxable income (loss) at effective tax rate	4,313,336	(45,097)
Tax at 10 %	(628,334)	-
Tax at special tax rate	(15,477)	(8,127)
Tax exemptions	125,667	-
Tax expense for the period	(518,144)	(8,127)
Effect of temporary tax difference for the year	(210,550)	(4,077,963)
Realized temporary difference of deferred tax	932,021	-
Unrealized temporary difference of deferred tax	254,468	-
Deferred tax benefit/ (expense)	975,939	(4,077,963)
Total tax expense for the year	457,795	(4,086,090)

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12. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Furniture and fixture	Computer and equipment	Vehicles	Total
	MNT'000	MNT'000	MNT'000	MNT'000	MNT'000
Cost					
Balance at 31 December 2012	280,668	29,571	12,651	70,003	392,893
Acquisition	-	-	1,333	-	1,333
Reclassification	-	(90)	(433)	-	(523)
Balance at 31 December 2013	280,668	29,481	13,551	70,003	393,703
Acquisition	-	10,000	10,591	160,000	180,591
Sales	-	-	-	(70,003)	(70,003)
Reclassified to investment property	(280,668)	-	-	-	(280,668)
Balance at 31 December 2014	-	39,481	24,142	160,000	223,623
Accumulated depreciation					
Balance at 31 December 2012	(7,600)	(2,442)	(8,786)	(15,459)	(34,287)
Charge for the year	(6,487)	(1,462)	(2,811)	(583)	(11,343)
Reclassification	-	17	383	-	400
Balance at 31 December 2013	(14,087)	(3,887)	(11,214)	(16,042)	(45,230)
Charge for the year	(7,017)	(2,148)	(3,627)	(27,334)	(40,125)
sales	-	-	-	30,043	30,043
Reclassified to investment property	21,104	-	-	-	21,104
Balance at 31 December 2014	-	(6,035)	(14,841)	(13,333)	(34,209)
NET BOOK VALUE					
Balance at 31 December 2012	273,068	27,129	3,865	54,544	358,606
Balance at 31 December 2013	266,582	25,594	2,337	53,960	348,472
Balance at 31 December 2014	-	33,446	9,301	146,667	189,414

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
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13. INVESTMENT PROPERTY

	2014 MNT'000
At 01 January	-
Reclassified from PPE	259,565
Fair value gain	415,583
At 31 December	675,148

The investment property represents the 5-year lease of room No.403 at the City Center building rented to Ard Insurance LLC for office use. The fair value of investment property has been determined under income approach based on best estimate of the Company's Management.

Valuation approach and unobservable inputs

Valuation approach

The Company uses discounted cash flow method when valuing the investment property. This valuation method is used to determine value of the property by estimating the present value of cash flows from the investment property. Expected cash flows are risk adjusted discount rate. *Unobservable inputs*

Unobservable inputs used equals to the value of monthly cash flows as stated in the contract and risk weighted interest rate is 15%. In accordance with the fair value hierarchy, unobservable inputs were classified as level 3.

14. INVESTMENTS MEASURED AT FAIR VALUE

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

	At 31 Dec 2014 MNT'000	At 31 Dec 2013 MNT'000	At 01 Jan 2013 MNT'000
Subsidiaries	7,519,014	1,181,814	1,746,925
Joint ventures	11,424,869	29,108,178	7,469,180
Associates	-	-	5,228,532
Non-controlling interest	13,080,174	1,209,662	1,202,792
	32,024,057	31,499,654	15,647,429

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for the year ended 31 December 2014

14. INVESTMENTS MEASURED AT FAIR VALUE (continued)

Transactions with invested companies during the year are as follows:

	Subsidiaries	Joint ventures	Associate s	Non- controlling interests	Total
	MNT'000	MNT'000	MNT'000	MNT'000	MNT'000
Balance at 31 Dec 2012	1,746,925	7,469,180	5,228,532	1,202,792	15,647,429
Share swaps	-	4,804,716	(5,228,532)	-	(423,815)
Recalled	(1,000)	-	-	(34,812)	(35,812)
Fair value adjustment	(564,112)	16,834,283	-	41,681	16,311,652
Balance at 31 Dec 2013	1,181,814	29,108,178	-	1,209,661	31,499,654
Acquisition of investments	6,337,200	1,000,000	-	13,000	7,350,200
Sale of investments	-	(7,667,998)	-	-	(7,667,998)
Transfer between classes	-	(11,615,312)	-	11,615,312	-
Fair value adjustment	-	600,000	-	242,201	842,201
Balance at 31 Dec 2014	7,519,014	11,424,869	-	13,080,174	34,024,057

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14. INVESTMENTS MEASURED AT FAIR VALUE (continued)

Detailed information of interests in subsidiaries at the end of the periods are as follows:

Entity Name	Main operation	At 31 Dec 2014		At 31 Dec 2013		At 01 Jan 2013	
		Number of shares	Total investment MNT'000	Number of shares	Total investment MNT'000	Number of shares	Total investment MNT'000
Monet Capital LLC	Broker, dealer	501,961	983,000	501,961	983,000	501,961	1,594,002
Arvai Capital LLC	Business consulting	10,000	10,000	10,000	10,000	10,000	10,000
MTND LLC	Business consulting	10,000	10,000	10,000	10,000	10,000	10,000
Tenger Systems LLC	Software	101,000	178,814	101,000	178,814	101,000	131,923
Ard Insurance LLC	Insurance	825,537	6,337,200	-	-	-	-
Arvan Geriin Kholboo LLC		-	-	-	-	1,000	1,000
		1,448,498	7,519,014	622,961	1,181,814	623,961	1,746,925

Detailed information of interests in joint ventures at the end of the periods is as follows:

Joint venture company name	Main operation	Owner ship (%)	At 31 Dec 2014			At 31 Dec 2013			At 01 Jan 2013	
			Number of shares	Total investment MNT'000	Owner ship (%)	Number of shares	Total investment MNT'000	Owner ship (%)	Number of shares	Total investment MNT'000
University of Engineering and Technology	Education	50	769,237	9,824,868	50	769,237	9,824,868	50	769,237	7,469,180
EIT Capital Management LLC	Investment		-	-	69	3,053,838	19,283,310		-	-
Ard Credit NBFi	NBFi	50	5000	1,600,000		-	-		-	-
			774,237	11,424,868		3,677,237	29,108,178		623,399	7,469,180

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14. INVESTMENTS MEASURED AT FAIR VALUE (continued)

Detailed information of interests in associates at the end of the periods is as follows:

Associate name	Basic operation	Owner ship (%)	At 31 Dec 2014			At 31 Dec 2013			At 01 Jan 2013	
			Number of shares	Total investment MNT'000	Owner ship (%)	Number of shares	Total investment MNT'000	Owner ship (%)	Number of shares	Total investment MNT'000
EIT Capital Management LLC	Investment	-	-	-	-	-	-	30	1,336,283	5,228,532
			<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>1,336,283</u>	<u>5,228,532</u>

Detailed information of Companies with non-controlling interest at the end of the periods is as follows:

Non-controlling interest	Basic operation	Owner ship (%)	At 31 Dec 2014			At 31 Dec 2013			At 01 Jan 2013	
			Number of shares	Total investment MNT'000	Owners hip (%)	Number of shares	Total investment MNT'000	Owner ship (%)	Number of shares	Total investment MNT'000
Nomiin Khishig LLC	Press	20	36,000	1,382,400	20	36,000	1,048,716	20	36,000	1,048,716
Tenger Financial Group	Finance and investment	4.20	706,596	11,684,775	0.06	9,657.00	160,945	0.06	9,657	119,264
Ard Active S&L Mongol 999	S&L Trade	-	-	13,000	-	-	-	-	1,000	1,000
Erdenes Tavan Tolgoi	Mining	-	-	-	-	-	-	-	36,240	33,812
			<u>742,596</u>	<u>13,080,175</u>		<u>45,657</u>	<u>1,209,661</u>		<u>82,897</u>	<u>1,202,792</u>

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for the year ended 31 December 2014

15. LOANS TO SUBSIDIARIES AND ASSOCIATES

Loans to subsidiary and companies with non-controlling interests as at 31 December 2013 and 2014 are as follows:

	Ard credit /MNT/ (i) MNT'000	Ard credit / USD / (ii) MNT'000	Monet Capital /USD/ (iii) MNT'000	Monet capital /MNT/ (iv) MNT'000	Tenger systems /MNT/ (v) MNT'000	Total MNT'000
Loans and advances						
Balance at 01 January 2013	-	-	222,807	21,427		244,234
Loans provided	52,860	479,665	-	-		532,525
Loan repayment received	-	-	(265,579)	(21,427)	-	(287,006)
Exchange rate differences		1,544	42,772			44,316
Balance at 31 December 2013	52,860	481,209	-	-		534,069
Loans provided	-	177,396	-	15,000	4,860	197,256
Loan repayment received	(52,860)	(216,039)	-	(15,000)	-	(283,899)
Exchange rate differences		71,631	-	-		71,631
Balance at 31 December 2014	-	514,197	-	-	4,860	519,057
Interest receivable						
Balance at 01 January 2013	-	-	-	-		-
Interest charge for the year	159	17,821	-	9,741	-	27,721
Interests received	-	(16,011)	-	(9,741)	-	(25,752)
Exchange rate differences	-	(90)	-	-		(90)
Balance at 31 December 2013	159	1,720	-	-		1,879
Interest charge for the year	6,855	81,896	-	481	116	89,349
Interest received	(7,013)	(80,913)	-	(481)	-	(88,407)
Balance at 31 December 2014	-	2,704	-	-	116	2,820
Amortised cost as at 01 January 2013	-	-	222,807	21,427	-	244,234
Amortised cost as at 31 December 2013	53,019	482,929	-	-	-	535,948
Amortised cost as at 31 December 2014	-	516,901	-	-	4,976	521,878

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15. LOANS TO SUBSIDIARIES AND ASSOCIATES

- (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.

On 20 March 2014, the loan agreement № LA/4-2014 was entered between Ard Financial Group LLC and "Ard Credit NBF1" for the purpose of working capital with loan amount of USD100,000, and interest rate at 15.6 percent per annum for 24 months.

- (v) On 30 October 2014, the loan agreement was entered between Ard Financial Group LLC and Tenger Systems LLC for a loan amount of MNT4.8 million with 2.1 percent per annum for one-year period.

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
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16. LOANS RECEIVABLE

The movement in carrying amount of loans provided to parties not related for the years ended 31 December 2013 and 2014 are as follows:

	BSP LLC /MNT/	BSP LLC /USD/	NBCG LLC /MNT/	I CONSENT LLC /USD/	Solargy /USD/	UNK LLC /MNT/	Total
	(i)	(ii)	(iii)	(IV)	(V)	(VI)	
	MNT'000	MNT'000	MNT'000	MNT'000	MNT'000	MNT'000	MNT'000
Loans and advances							
Balance at 01 Jan2013	325,635	106,858	9,110				441,603
Loans provided	-	-	-	-	-	-	-
Loan repayment	-	-	(9,110)	-	-	-	(9,110)
Exchange difference	-	20,513	-	-	-	-	20,513
Balance at 31 Dec 2013	325,635	127,371	-	-	-	-	453,006
Loans provided	10,000	-	-	154,053	47,047	22,981	234,081
Loan repayments	-	-	-	(30,479)	-	-	(30,479)
Exchange difference	-	17,368	-	3,255	(255)	-	20,368
Bad debt reserves	(325,635)	(144,739)	-	-	-	-	(470,374)
Balance at 31 Dec 2014	10,000	-	-	126,830	46,791	22,981	206,602
Accrued interests							
receivable							
Balance at 01 Jan 2013	112,180	3,206	-	-	-	-	115,386
Interest receivables	-	17,808	-	-	-	-	17,808
Exchange difference	-	-	-	-	-	-	-
Balance at 31 Dec 2013	112,180	21,014	-	-	-	-	133,194
Interest receivables	-	2,108	-	6,251	462	23	8,845
Interests received	(112,180)	(23,122)	-	(6,071)	-	-	(141,374)
Balance at 31 Dec 2014	-	-	-	180	462	23	665
Amortized cost as at 01							
January 2013	437,815	110,064	9,110	-	-	-	556,989
Amortized cost as at 31							
December 2013	437,815	148,385	-	-	-	-	586,200
Amortized cost as at 31							
December 2014	10,000	-	-	127,010	47,253	23,004	207,267

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2014

16. LOANS RECEIVABLE (continued)

- i. In accordance with the loan agreement No.2010/08 entered between Ard Financial Group LLC and BSP LLC on 10 June 2010, a loan of MNT300 million was provided for a term of 30 days to construct a 5-floor apartment building with 2 entrances and 48 units, built between 2010-2011 located in Khoroo-11' Bayanzurkh district, at interest rate of 2% and subsequently 2.5% interest rate after the loan agreement period.
In accordance with the loan agreement No.2010/10 entered between Ard Financial Group LLC and BSP LLC on 10 June 2010, a loan of MNT18,000,000 was provided for a term of 6 months for working capital purposes at interest rate of 0.1% per month.
In accordance with the loan agreement No.2010/17 entered between Ard Financial Group LLC and BSP LLC on 22 December 2010, a loan of MNT15,635,000 was provided for a term of 3 months for working capital purposes at interest rate of 0.1% per month.
- ii. In accordance with the loan agreement No.2010/25 entered between Ard Financial Group LLC and BSP LLC on 30 December 2010, a loan of USD42,323 was provided for a term of 3 months for working capital purposes at interest rate of 1% per month.
In accordance with the loan agreement No.2010/26 entered between Ard Financial Group LLC and BSP LLC on 30 December 2010, a loan of USD34,437 was provided for a term of 3 months for working capital purposes at interest rate of 1% per month.
- iv. In accordance with the loan agreement No.2014/06 entered between Ard Financial Group LLC and I Concept LLC on 30 September 2014, a loan of USD83,700 was loaned for a term of 18 months for working capital purposes at 1.5% interest rate. The loan was secured with 50 percent share capital or 85,000 shares of I Concept LLC, and equipment being used at I Loft as collateral.
- v. In accordance with the loan agreement No.2014/07 entered between Ard Financial Group LLC and Solargy LLC on 17 December 2014, a loan of USD24,815 was provided for a term of 6 months for working capital purposes at interest rate of 2% per month.
- vi. In accordance with the loan agreement No.2014/08 entered between Ard Financial Group LLC and UNK LLC on 31 December 2014, a loan of MNT22 million was provided for a term of 3 months for working capital purposes at interest rate of 3% per month.

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17. ADVANCES AND PREPAYMENTS

	At 31 Dec 2014 MNT'000	At 31 Dec 2013 MNT'000	At 01 Jan 2013 MNT'000
Prepayment for acquisition of investments	24,610	300,000	-
prepayment for acquisition of apartment	-	-	155,000
Employees' accumulative savings	10,800	6,738	884
Prepayments for lease improvement	61,300	-	-
Other	4,166	-	-
	100,876	306,738	155,884

In accordance with the shares trade agreement signed between Inter Group International LLC and Ard Financial Group dated 27 December 2013, Ard Financial Group prepaid MNT300 million in advance to acquire 50 percent of Ard Credit NBF1.

18. SHORT-TERM INVESTMENTS IN BOND

In accordance with the bond sale and purchase agreement made on 07 April 2014 between Ard Financial Group LLC and Ard Credit NBF1 LLC, short-term investments of MNT150 million at annual interest rate of 20% for a term of 12 months was made in order to finance the working capital. It will be matured on 07 April 2015.

19. TRADE AND OTHER RECEIVABLES

	At 31 Dec 2014 MNT'000	At 31 Dec 2013 MNT'000	At 01 Jan 2013 MNT'000
Amount due from the companies	12,620	-	-
Amount due from individuals	2,770	33,375	217,290
Amount due from employees	117,817	72,096	14,931
VAT receivables	6,147	-	17,143
Other receivables	19,050	10,539	213,262
Loan interest receivables	6,304	-	-
Payroll tax receivables	1,977	-	-
PIT receivables	1,858	-	-
	168,543	116,010	462,626

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20. CASH AND CASH EQUIVALENTS

	At 31 Dec 2014 MNT'000	At 31 Dec 2013 MNT'000	At 01 Jan 2013 MNT'000
Cash at bank /MNT/	954	977	981
Cash at bank /USD/	1,082	963	817
Demand savings at the bank /MNT/	15,047	179,224	207,854
Demand savings at the bank /USD/	252,107	1,704	150
Time deposit in NBFi /MNT/	45,000	-	-
Time deposit in NBFi /USD/	94,280	-	-
	408,470	182,868	209,802

21. SHARE CAPITAL

The Company is entitled to issue 22,752,700 ordinary shares at par value of MNT100 each. As at 31 December 2014, shares issued by the Company are as below:

Ordinary share	Number of shares	Amount (MNT)	TOTAL MNT'000
Authorized shares:			
As at 01 January 2013	14,423,990	100	1,442,399
Shares issued	108,887	100	10,889
Share repurchase	(770,700)	100	(77,070)
As at 31 December 2013	13,762,177	100	1,376,218
Shares issued	3,607,128	100	360,712
Share repurchase	(573,972)	100	(57,397)
As at 31 December 2014	16,795,333	100	1,679,533

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21. SHARE CAPITAL (continued)

The main shareholders of the Company as at 31 December 2013 are as follows:

Shareholders	Number of shares	Amount	Total MNT'000	Percent
Ganhuyag Chuluun	2,128,610	100	212,861	15.47
UBIG LLC	1,468,449	100	146,845	10.67
Apollo Ventures	1,290,000	100	129,000	9.37
Mak LLC	873,000	100	87,300	6.34
Luna and Luna LLC	763,068	100	76,307	5.54
Soronzonbold Lhagvasuren	711,450	100	71,145	5.17
Sergelen Munkh-Ochir	586,710	100	58,671	4.26
Nemekhbaatar	507,834	100	50,783	3.69
Bayartogtokh	450,000	100	45,000	3.27
Gereltuya Sedbazar	402,561	100	40,256	2.93
Uyanga Galnyam	313,650	100	31,365	2.28
Bat-Ochir Dugersuren	300,000	100	30,000	2.18
Zoljargal Myagmarsuren	256,000	100	25,600	1.86
Bold Magvan	251,960	100	25,196	1.83
Delgerjargal Bayanjargal	220,447	100	22,045	1.60
Ronok Limited LLC				
Main shareholders	10,523,739	100	1,052,374	76.47
353 other shareholders	3,238,438	100	323,844	23.53
Total share	13,762,177	100	1,376,218	100.00

The main shareholders of the Company as at 31 December 2014 are as follows:

Shareholders	Number of shares	Amount	Total MNT'000	Percent
Intergroup International LLC	2,237,050	100	223,705	13.32
UBIG LLC	1,907,059	100	190,706	11.35
Apollo Ventures LLC	1,690,000	100	169,000	10.06
VenturesOne BV	1,304,043	100	130,404	7.76
Ganhuyag Chuluun	1,290,000	100	129,000	7.68
Luna & Luna LLC	1,284,893	100	128,489	7.65
MAK LLC	873,000	100	87,300	5.20
Nemekhbaatar Bayartogtoh	507,834	100	50,783	3.02
Soronzonbold Lhagvasuren	453,210	100	45,321	2.70
Gereltuya Sedbazar	450,000	100	45,000	2.68
Uyanga Galnyam	423,034	100	42,303	2.52
Sergelen Munkh-Ochir	340,794	100	34,079	2.03
Bat-Ochir Dugersuren	313,650	100	31,365	1.87
Buren-Erdene Khuldorj	306,000	100	30,600	1.82
Zoljargal Myagmarsuren	300,000	100	30,000	1.79
Main shareholders	13,680,567	100	1,368,057	81.45
317 other shareholders	3,114,766	100	311,477	18.55
Total shareholders	16,795,333	100.00	1,679,533	100.00

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22. SHARE PREMIUM

	<u>At 31 Dec 2014</u> MNT'000	<u>At 31 Dec 2013</u> MNT'000	<u>At 01 Jan 2013</u> MNT'000
At the beginning of the period	3,246,555	3,303,839	2,700,450
Addition (i)	6,166,841	97,823	1,658,808
Write-off (ii)	(114,634)	(155,107)	(1,055,419)
At the end of the period	9,298,761	3,246,555	3,303,839

- i. In accordance with the agreement entered between Ard Financial Group LLC and Inter Group International LLC on 27 December 2013, Ard Financial Group LLC agreed to exchange its 2,153,450 shares with 33 percent Ard Insurance LLC's total shares. Also in accordance with the share swap agreement between Ard Financial Group LLC and Ventures One B.V LLC on 31 December 2014, 333,000 thousand shares of Ard Insurance LLC was traded with 1,304,043 shares of Ard Financial Group LLC. The shares represent the amount of share premium of share swaps.

The Company repurchased 573,972 shares during the year. Any share premium attributable to the share repurchase was written-off.

23. FAIR VALUE ADJUSTMENT RESERVE

	<u>At 31 Dec</u> <u>2014</u> MNT'000	<u>At 31 Dec</u> <u>2013</u> MNT'000	<u>At 01 Jan</u> <u>2013</u> MNT'000
Balance as at 01 January	5,291,986	3,500,408	-
Fair value adjustment of investment	933,684	1,791,578	3,500,408
Balance as at 31 December	6,225,670	5,291,986	3,500,408

24. OTHER EQUITY INSTRUMENTS

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 reserves. According to the resolution of the BOD dated 21 May 2007, MNT500,000 has been allocated as bonus from the reserve.

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25. 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					
01 January 2013	620,000	741,943	275,978	1,989,055	3,626,976
Repayment	(620,000)	(883,718)	(11,979)	-	(1,515,697)
Current portion of long-term liabilities	-	-	(53,000)	(1,989,055)	(2,042,055)
Foreign exchange difference	-	141,775	-	-	141,775
31 December 2013	-	-	210,999	-	210,999
Repayment	-	-	-	-	-
Current portion of long-term liabilities	-	-	(210,999)	-	(210,999)
Foreign exchange difference	-	-	-	-	-
31 December 2014	-	-	-	-	-

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25. LONG TERM BORROWINGS (continued)

*Ard Financial Group LLC made a Loan Agreement No.197 with the State Bank of Mongolia on 14 May 2012 to borrow MNT 280 million for the purpose of supporting its financial services. The loan bears an interest rate of 20.4 percent per annum with 36 months term. 170.44 sq.m office building with registration No. Y-2203023321 located in Room 5-403, Altangerel.B street, Baga Toiruu /14200/, Khoroo-8, Sukhbaatar district was secured as a collateral for this loan at MNT 411,318,170.

26. LONG-TERM FINANCE LEASE PAYABLE

	At 31 Dec 2014 MNT'000	At 31 Dec 2013 MNT'000	At 01 Jan 2013 MNT'000
Finance lease payable	-	24,990	24,990
<i>Includes:</i>			
Current portion of long-term lease	-	24,793	12,396
Long-term finance lease payable	-	199	12,594

27. TRADE AND OTHER PAYABLES

	At 31 Dec 2014 MNT'000	At 31 Dec 2013 MNT'000	At 01 Jan 2013 MNT'000
Payables to entity	523,345	841,215	131,753
Payables to individuals	-	1,565,790	544,896
Payables to employees	-	96	12
Wages and salaries payable	2,083	-	68
Deferred income	15,000	-	119,205
Shares payable	216,400	5	161,106
Accrued interests payable	708	-	9,505
Other payables	32,193	1,554	-
PIT payable	-	-	4
VAT payable	-	39,979	-
Real estate liability	-	1,255	-
Withholding tax payable	1,211	-	458
	790,940	2,449,893	967,007

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28. DEFERRED TAX LIABILITIES

The amount represents the amount of deferred tax liability recognized in relation with temporary differences arising from the fair value adjustment of financial assets at fair value through profit or loss.

	At 31 Dec 2014	At 31 Dec 2013	At 01 Jan 2013
	MNT'000	MNT'000	MNT'000
Beginning balance	5,646,944	1,568,981	1,079,617
Temporary difference realized for the period	(1,186,490)	-	-
Temporary difference arisen for the year	210,550	4,077,963	489,364
Ending balance	4,671,006	5,646,944	1,568,981

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

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29. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

29.1 Revenue

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

- ***Fees***

The Company's main operating income comes from investment consulting services, dealer, brokerage and underwriting services. Revenue is recognized under the accrual basis in accordance with IAS.

- ***Interest income***

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

- ***Rental income***

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

29.2 Cost / Expense Recognition

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

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

29.3 Financial income / expense

Finance income comprises interest income on funds invested that are recognized in income statement. Interest income is recognized as it accrues in income statement, using the effective interest method.

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

29.4 Foreign currency transactions

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

ARD FINANCIAL GROUP

Limited Liability Company

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2014

29. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

29.4 Foreign currency transactions (continued)

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

29.5 Income tax expense

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

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

29.6 Employee benefits

i) Short-term employee benefits

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

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

ii) Social and health insurance

As required by law, companies in Mongolia make social security and health contributions to the Social and Health Insurance scheme and such contributions are recognized as an expense in the income statement as incurred.

ARD FINANCIAL GROUP

Limited Liability Company

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2014

29. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

29.7 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*.

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.

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.

ARD FINANCIAL GROUP

Limited Liability Company

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2014

29. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

29.7 Financial instruments (continued)

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.

Purchase or sale 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.

(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.

ARD FINANCIAL GROUP

Limited Liability Company

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2014

29. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

29.7 Financial instruments (continued)

(iv) *Subsequent recognition (continued)*

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.

ARD FINANCIAL GROUP

Limited Liability Company

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2014

29. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

29.8 Fair value measurement

The Company measures its 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)

ARD FINANCIAL GROUP

Limited Liability Company

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2014

29. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

29.9 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 if 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 individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant.

If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, 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 a 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.

ARD FINANCIAL GROUP

Limited Liability Company

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2014

29. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

29.10 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

Property, plant and equipment are initially measured at cost. The costs of property, plant and equipment comprise their purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Property, plant and equipment purchased in foreign currencies are measured at cost by translating to the reporting currency using official exchange rate issued by the Bank of Mongolia..

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

iii) Subsequent measurement

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably.

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 |

ARD FINANCIAL GROUP

Limited Liability Company

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2014

29. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

29.11 Inventory

Inventories consist of costs of stationery and supply materials. Inventories are accounted for under perpetual system.

29.12 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 denominated in foreign currencies are translated into MNT using official rate issued by the Bank of Mongolia 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.

29.13 Cash and other equivalents

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

29.14 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.

29.15 Equity

i) Share capital

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

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

ii) Treasury shares

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

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

ARD FINANCIAL GROUP

Limited Liability Company

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2014

29. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

29.16 Provision/Reserve

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

29.17 Fair value reserve

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

29.18 Dividends

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

ARD FINANCIAL GROUP
Limited Liability Company

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2014

30. RELATED PARTIES

Identifying related parties

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

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

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

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

Related party name	Business Activities	Relationship
Ard Insurance LLC	Insurance	Associate
Nomiin Khishig LLC	Press	Non-controlling interest
Tenger Financial Group LLC	Finance and Investments	Non-controlling interest
Ard Credit NBFi	NBFi	Joint venture
Institute of Engineering and Technology LLC	Education	Joint venture
EIT Capital Management LLC	Investment	Associate
MTND LLC	Business consulting	Subsidiary
Ard Active S&L	Savings and loan association	Subsidiary
Arvai Capital LLC	Business consulting	Subsidiary
Tenger Systems Ltd	Programming	Subsidiary
Monet Capital UTsK	Broker, dealer	Subsidiary
Wild Digital LLC	Web design	
Ch.Ganhuyag	N/a	Executive Director
A.Batbold	N/a	Member of the board of directors
S.Gereltuya	N/a	Shareholder

The significant transactions with related parties are as follows:

	2014 MNT'000	2013 MNT'000
Loans provided	321,533	532,525
Loan collected	(316,118)	(287,006)
Revenue for services rendered	107,759	609,091
Bonuses issued to the executives*	249,773	167,888
	362,947	1,022,497

ARD FINANCIAL GROUP
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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2014

30. RELATED PARTY (continued)

The salary and bonuses given to executive management are as follows:

	2014 MNT'000	2013 MNT'000
Salaries and wages	223,394	151,124
Social insurance expenses	24,752	16,764
A defined benefit plan expenses	1,627	-
	249,773	167,888

The related party receivables and payables are as follows:

	At 31 Dec 2014 MNT'000	At 31 Dec 2013 MNT'000
Ard Credit NBFi	516,901	535,947
Tenger systems LLC	4,976	-
TTDS LLC	1,000	-
MTND LLC	(506,987)	(529,815)
Ard Active S&L	(15,907)	-
Monet SC JSC	(15,000)	-
Nomiin khishig LLC	11,620	-
Shareholders	120,510	(264,271)
Total	117,114	(258,139)

The short-term bond investments in related parties are as follows:

	At 31 Dec 2014 MNT'000	At 31 Dec 2013 MNT'000
Ard Credit NBFi	150,000	-
Total	150,000	-

ARD FINANCIAL GROUP
Limited Liability Company

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2014

31. SUBSEQUENT EVENTS

Ard Financial Group LLC has made the decision to acquire 84 percent of the total issued shares of Jinst Uvs JSC, a company listed at the Mongolian Stock Exchange for MNT54 million in accordance with the resolution of the board dated January 14, 2015.

32. COMPARATIVE FIGURES

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

33. TRANSLATION INTO ENGLISH

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