



# Independent auditor's report

"Grant Thornton Audit" LLC  
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## To shareholders of the Ard Financial Group JSC:

### Opinion

We have audited the financial statements (hereinafter referred to as "Financial statement") of the Ard Financial Group JSC (hereinafter referred to as "Company"), which comprise the statement of financial position as of 31 December 2020, including:

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

In our opinion, the accompanying financial statements of the Ard Financial Group JSC give a true and fair view of the financial position as of 31 December 2020 and of its financial performance and its cash flows for the year then ended, in all material respects, in accordance with International Financial Reporting Standards.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

### Use of the Audit Report

Pursuant to Article 94 of the Company Law of Mongolia, this report is intended solely for shareholders of the Company and not for other subjects. We are not liable to any other third party under this report.

Engagement partner of this independent auditor report is N. Erdenetsog.



**B. DSORGARAV**  
MANAGING PARTNER

31 March 2021  
Ulaanbaatar city



**N. ERDENETSOG**  
ENGAGEMENT PARTNER

## Statement of Financial Position

MNT thousand	31 December 2019	31 December 2020
<b>Total assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	43,236	100,958
Receivables	4,912,768	1,685,343
Other financial instruments	416,506	18,737
Inventory	6,231	2,112
Prepayments	551,327	1,243,564
<b>Total current assets</b>	<b>5,930,068</b>	<b>3,050,714</b>
<b>Non-current assets</b>		
Fixed assets	642,006	466,025
Intangible assets	3,261,572	8,941,367
Right-of-use assets	-	440,433
Long-term investments	68,238,169	67,481,313
<b>Non-current assets</b>	<b>72,141,747</b>	<b>77,329,138</b>
<b>Total assets</b>	<b>78,071,815</b>	<b>80,379,852</b>
<b>Liabilities and shareholders' equity</b>		
<b>Total liabilities</b>		
<b>Short-term liabilities</b>		
Payables	2,613,677	4,552,360
Short-term liabilities	1,082,465	1,147,287
Short-term bond liabilities	-	11,958,106
Short-term lease liabilities	40,096	349,718
<b>Total short-term liabilities</b>	<b>3,736,238</b>	<b>18,007,471</b>

## Statement of Financial Position (continued)

MNT thousand	31 December 2019	31 December 2020
<b>Long-term liabilities</b>		
<b>Deferred tax liabilities</b>	<b>3,070,863</b>	<b>3,405,208</b>
Long-term lease liabilities	262,390	379,093
Long-term liabilities	2,236,039	408,752
Long-term bond liabilities	12,183,955	2,347,232
<b>Total long-term liabilities</b>	<b>17,753,247</b>	<b>6,540,285</b>
<b>Total liabilities</b>	<b>21,489,485</b>	<b>24,547,756</b>
<b>Shareholders' equity</b>		
Share capital	28,590,335	28,590,335
Treasury shares	(1,414,706)	(1,414,706)
Revaluation reserves	24,105,478	27,284,096
Other equity	13,799	13,799
Retained earnings	5,287,424	1,358,572
<b>Total shareholders' equity</b>	<b>56,582,330</b>	<b>55,832,096</b>
<b>Total liabilities and shareholders' equity</b>	<b>78,071,815</b>	<b>80,379,852</b>

## Statement of Profit or Loss and **Other Comprehensive Income**

MNT thousand	2019	2020
Management fee income	346,333	688,461
Investment income	879,944	303,915
Dividend income	537,157	1,311,736
Interest income	302,225	29,984
<b>Total investment income</b>	<b>2,065,659</b>	<b>2,334,096</b>
Other income	788,556	916,740
Sales and marketing expense	1,625,924	271,381
General and administrative expense	3,293,038	3,183,791
Financial expense	1,476,353	2,876,353
Other expense	896,380	785,887
FX gain (loss)	(20,036)	(170,140)
Asset disposal gain (loss)	(34,430)	-
<b>Profit (loss) before tax</b>	<b>(4,491,946)</b>	<b>(4,036,716)</b>
Income tax expense (benefit)	84,204	(2,041)
<b>Net profit (loss)</b>	<b>(4,576,150)</b>	<b>(4,034,675)</b>
<b>Other comprehensive income</b>		
Equity investment revaluation gain	9,348,676	385,328
Virtual asset revaluation gain	675,736	3,849,693
Other comprehensive income	10,024,412	4,235,021
<b>Total comprehensive income</b>	<b>5,448,262</b>	<b>200,346</b>
<b>Earnings (loss) per share</b>	<b>(0.21)</b>	<b>(0.15)</b>

Statement of **Changes in Equity**

MNT thousand	Share capital	Treasury shares	Paid-in capital	Revaluation reserves	Other equity	Retained earnings	Total equity
<b>Balance as of 1 January 2019</b>	<b>1,879,653</b>	<b>(160,216)</b>	<b>9,929,061</b>	<b>14,081,066</b>	<b>13,799</b>	<b>24,767,270</b>	<b>50,510,633</b>
Changes in accounting policy	-	-	-	-	-	10,956	10,956
Restated balance	1,879,653	(160,216)	9,929,061	14,081,066	13,799	24,778,226	50,521,589
Net loss for the year	-	-	-	-	-	(4,576,150)	(4,576,150)
Revaluation gain	-	-	-	10,024,412	-	-	10,024,412
Changes in equity	26,710,682	(1,254,490)	(9,929,061)	-	-	(14,914,652)	612,479
<b>Balance as of 31 December 2019</b>	<b>28,590,335</b>	<b>(1,414,706)</b>	<b>-</b>	<b>24,105,478</b>	<b>13,799</b>	<b>5,287,424</b>	<b>56,582,330</b>
Net loss for the year	-	-	-	-	-	(4,034,675)	(4,034,675)
Revaluation gain	-	-	-	4,235,021	-	-	4,235,021
Dividends	-	-	-	-	-	(950,580)	(950,580)
Realized profit from revaluation reserves	-	-	-	(1,056,403)	-	1,056,403	-
<b>Balance as of 31 December 2020</b>	<b>28,590,335</b>	<b>(1,414,706)</b>	<b>-</b>	<b>27,284,096</b>	<b>13,799</b>	<b>1,358,572</b>	<b>55,832,096</b>

Statement of **Cash Flow**

MNT thousand	2019	2020
<b>Cash flow from operations</b>		
<b>Profit before tax</b>	<b>(4,036,716)</b>	<b>(4,491,946)</b>
<b>Adjustments:</b>		
Depreciation	323,745	179,194
Depreciation - Right of use assets	-	293,622
Impairments	4,722	17,936
Revaluation adjustments	10,024,412	(428,143)
Investment revaluation gain (loss)	(7,299,818)	3,178,618
Fixed assets disposal gain (loss)	34,430	-
Deferred tax	995,785	321,359
Share capital	16,781,621	-
Other comprehensive income	-	1,056,404
Dividends declared	-	(950,579)
<b>Cash flow from operations before changes in working capital</b>	<b>16,372,952</b>	<b>(368,307)</b>
<b>Changes in working capital</b>		
Net changes in receivables	(2,072,416)	3,227,425
Net changes in other financial assets	6,639,120	397,769
Net changes in inventory	30,133	4,119
Net changes in prepayments	279,146	(692,237)
Net changes payables	2,271,678	1,938,683
<b>Cash flow from operations</b>	<b>23,520,612</b>	<b>4,507,452</b>
Income tax expense	33,835	15,027
<b>Net cash flow from operations</b>	<b>23,554,447</b>	<b>4,522,479</b>

## Statement of **Cash Flow** (continued)

MNTthousand	2019	2020
<b>Cash flow from investment activities</b>		
<b>Cash out</b>		
Fixed assets acquisition	(28,241)	(3,212)
Intangible assets acquisition	(3,251,689)	(5,697,731)
Other long-term assets acquisition	(17,127,632)	1,184,998
Assets for sale	4,817,832	-
Right-of-use assets	-	(307,730)
Treasury shares	(1,254,490)	-
<b>Net cash flow from investing activities</b>	<b>(16,844,220)</b>	<b>(4,823,674)</b>
<b>Cash flow from financing activities</b>	<b>-</b>	<b>-</b>
<b>Cash in</b>	<b>10,851,969</b>	<b>13,280,932</b>
Cash from loans obtained and bonds issued	10,851,969	13,280,932
Cash from equity and other financial instruments issued	-	-
Other	-	-
<b>Cash out</b>	<b>(17,530,382)</b>	<b>(12,922,014)</b>
Cash paid to loans and bonds	(2,929,171)	(12,922,014)
Cash paid to finance lease	302,486	-
Cash paid to shares buyback	(14,903,697)	-
Dividends paid	-	-
<b>Total cash flow from financing activities</b>	<b>(6,678,413)</b>	<b>358,918</b>
<b>Net cash flow</b>	<b>31,814</b>	<b>57,722</b>
<b>Beginning balance of cash and cash equivalents</b>	<b>11,423</b>	<b>43,236</b>
<b>Ending balance of cash and cash equivalents</b>	<b>43,236</b>	<b>100,958</b>





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