

AUDIT REPORT

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ARD DAATGAL LLC

Report on Financial Statements

We have audited the accompanying financial statements of Ard Daatgal LLC, which comprise the statement of financial position as at December 31, 2015, and the statement of profit or losses and other comprehensive income, statement of the changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of these financial statements in accordance with the Accounting Law and a set of insurance regulations that are effective in Mongolia, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity'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.

AUDITOR'S OPINION

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Ard Daatgal LLC as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with the Law on Accounting and a set of insurance regulations that are effective in Mongolia.

OTHER MATTERS

Mongolian parliament has approved law on Supporting Economic Transparency (tax amnesty program) on 7 August 2015 which would be effective from date of approval to 20 February 2016. In accordance with this law, it is prohibited to disclose name of any applicants those who submitted an one-off disclosure return for any of historical non-compliances for the scope and purpose of the law. Thus, we have not reviewed whether the Company has submitted disclosure in the scope of this law and we have not performed any audit procedure addressed any adjustment made to the period prior to 1 April 2015.

USE OF THIS REPORT

This report is made solely to the shareholders of "Ard daatgal" LLC, as a body, in accordance with Article 95.1 of Company Law of Mongolia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



Огноо: 2016.04.15

INDEPENDENT AUDITOR'S ADDITIONAL REPORT ON LEGAL AND REGULATORY REQUIREMENTS

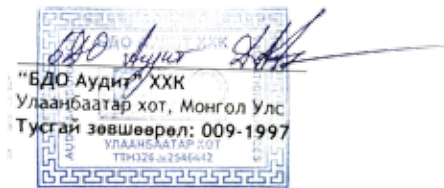
Report on Other Legal and Regulatory Requirements

We have audited the financial statements of Ard Daatgal LLC which comprise of the Statement of Financial Position as at 31 December 2015, Statement of Comprehensive Income, Statement of Changes in Equity and Cash Flow Statement for the year then ended and notes to the financial statements and issued an auditor's opinion.

In accordance with Law of Mongolia on Insurance, we reviewed the financial activities of Ard Daatgal LLC for compliance with Mongolian laws and a set of insurance regulations.

During our audit work, we performed various tests to review whether the company complies with rules and regulations on financial reporting process of insurance companies as issued by the regulatory body. Based on our review, except for matters described in a paragraph below, nothing has come to our attention that the Company's financial activities are not in compliance with laws and rules that are effective in Mongolia.

- The Company estimated Contingent loss reserve in accordance with "Rules to estimate, control, distribution of general insurance reserves" approved by resolution No. 232 of FRC Mongolia and result of the estimation is considered to be additions to balance of contingent loss reserve.



Огноо: 2016 .04. 15

FINANCIAL STATEMENT FOR THE YEAR ENDED
31 December 2015 (MNT)

ASSETS	AT 31 DEC 2015	AT 31 DEC 2014
Property, Plant and Equipment	1,551,723	256,902
Prepayments and prepaid expenses	384,116	546,614
Inventories	10,961	33,865
Trade and other receivables	1,754,184	2,590,534
Financial assets-Held to maturity	140,000	-
Cash and cash equivalents	4,917,542	4,961,545
Total assets	8,758,526	8,389,460
EQUITY AND LIABILITIES		
LIABILITIES	AT 31 DEC 2015	AT 31 DEC 2014
Unearned premium	3,160,959	2,510,042
Contingent loss reserve	712,503	762,263
Incurred but not reported reserve	658,155	816,109
Reported but not settled reserve	-	-
Payable to re-insurer	284,867	-
Trade and other payables	67,995	4,153
Taxes payable	16,223	14,996
Other taxes payable	46,452	42,570
Total liabilities	4,947,154	4,150,133
Equity		
Share capital	3,500,000	3,500,000
Retained earnings	311,372	739,327
Total equity	3,811,372	4,239,327
Total equity and liabilities	8,758,526	8,389,460

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

	SHARE CAPITAL	RETAINED EARNINGS	TOTAL
Balance at 31 January 2013	2,750,000	1,175,575	3,925,575
Current year profit	-	313,752	313,752
Retained earnings converted into share capital	750,000	(750,000)	-
Balance at 31 December 2014	3,500,000	739,327	4,239,327
Current year profit	-	(213,955)	(213,955)
Dividend allocated	-	(214,000)	(214,000)
Balance at 31 December 2015	3,500,000	311,372	3,811,372

* FRC Mongolia has issued resolution No. 445 dated 17 December 2015 to postpone increase of minimum share capital until 1 July 2016 due to current economic condition and solvency issues of insurance companies.

INCOME STATEMENT FOR THE YEAR ENDED
31 December 2015 (MNT)

	2015	2014
General insurance premium	9,159,627	9,806,255
Re- insurance premium	(1,841,975)	(1,816,253)
Premium returned	(239,054)	(94,660)
Net insurance premium	7,078,598	7,895,342
Changes in Unearned premium reserve	650,916	523,391
Total earned premium	6,427,682	7,371,951
Total claims paid	(3,828,560)	(3,095,302)
IBNRR*	(2,010,523)	(1,380,752)
CLR**	(103,263)	(1,741)
EP***	(1,714,774)	(1,712,808)
IBNRR charged	(1,852,568)	(1,474,164)
RBNSR charged from Unearned premium	-	-
CLR charged	(53,504)	(233,823)
Total insurance premium	2,806,836	3,951,156
Personnel cost	(1,249,633)	(1,416,565)
Other costs related to insurance contracts	(1,390,184)	(1,283,992)
General and administrative expenses	(1,115,980)	(1,403,024)
Operating gain /(loss)	(948,961)	(152,425)
Financial income/(expenses)	681,937	783,271
Other income, (expenses)	134,332	(245,425)
Other gains, (loses)	(23,217)	(9,311)
Profit before tax	(155,909)	376,110
Income tax expense	(58,046)	(62,358)
Net profit	(213,955)	313,752

* IBNRR – Incurred but not reported reserve

** CLR – Contingent loss reserve

*** EP – Earned premium

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

CASH FLOWS FROM OPERATING ACTIVITIES	2015	2014
Profit before tax	(155,909)	376,110
Adjustments for:		
Depreciation and amortisation	96,258	53,826
Gain from /(loss on) disposal of PPE	21,819	9,311
Bonuses provide in kind	8,375	-
Operating profit before changes in working capital	(29,457)	439,247
Changes in working capital:	293,752	(1,338,769)
Changes in premium receivables	485,386	(79,399)
Changes in other receivables	214	30,249
Changes in other taxes and charges receivables	162,498	(8,224)
Changes in prepayment and prepaid expenses	22,904	(3,650)
Changes In inventories	650,916	523,391
Changes in unearned premium	(157,954)	93,411
Changes in incurred but not reported reserve	(49,760)	232,081
Changes in contingent loss reserve	58,444	(1,324)
Changes in trade and other payables	284,867	-
Changes in payable to re-insurer	3,882	42,570
Changes in other tax payables	1,755,149	(509,664)
Changes in operating active and passive	1,725,692	(70,417)
Corporate income tax paid	(56,818)	(24,859)
Interest income	(580,458)	(758,111)
Interest received	656,381	752,708
	19,105	(30,262)
Net cash flows from operating activities	1,744,797	(100,679)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of Property, plan and equipment	(1,447,800)	(32,371)
Acquisition of investment	(140,000)	-
Financial assets matured	-	300,000
Net cash flows from investing activities	(1,587,800)	267,629
CASHFLOWS FROM FINANCING ACTIVITIES		
Shares issued	-	-
Dividend allocated	(214,000)	-
	-	-
Proceeds from borrowings from commercial bank	13,000	-
Net cash flows from financing activities	(201,000)	-
Net cash flows	(44,004)	166,950
Cash and cash equivalents at beginning of the year	4,961,545	4,794,595
Cash and cash equivalents at end of the year	4,917,542	4,961,545