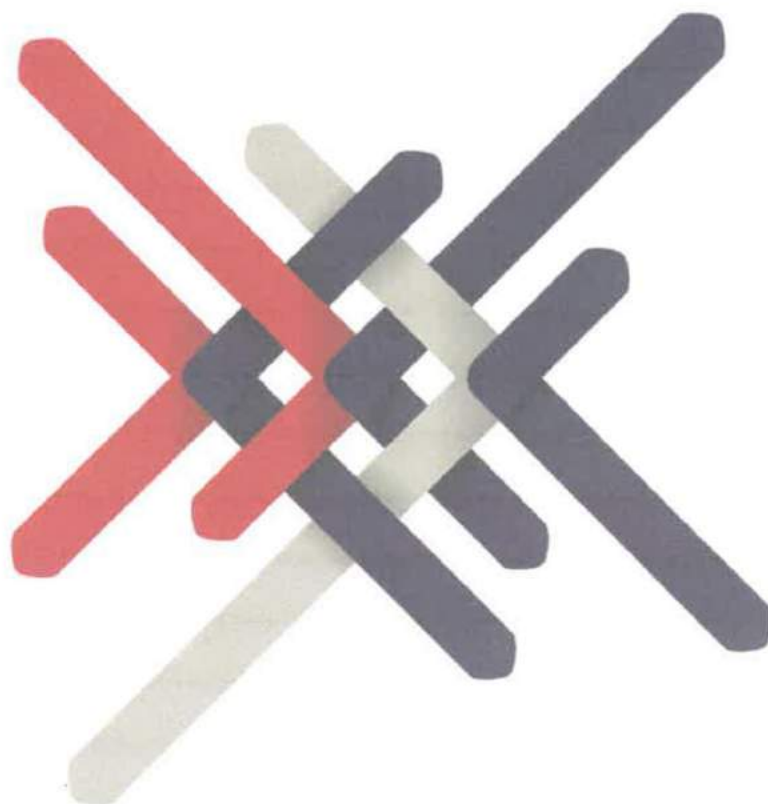


Financial Statements and Independent Auditor's Report

Ard Daatgal JSC

31 December 2023



Independent Auditor's Report

"Grant Thornton Audit" LLC
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To shareholders of the Ard Daatgal JSC:

Opinion

We have audited the financial statements (hereinafter referred to as "financial statement") of the Ard Daatgal JSC (hereinafter referred to as "Company"), which comprise statements as of 31 December 2023, including:

- Statement of financial position,
- Statement of comprehensive income for the year ended,
- Statement of changes in equity,
- Statement of cash flows
- A summary of significant accounting policies, and
- Notes to the Financial Statements

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Ard Daatgal JSC as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance the rules and regulations approved by the competent authority and comply 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.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the Code of Ethics for Professional Accountants of Mongolia, and we have fulfilled our other ethical responsibilities in accordance with those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of audit approaches

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| Materiality | <ul style="list-style-type: none">• Overall materiality level applied in the audit of the financial statements is MNT 545,452 thousand. The materiality was selected on the basis of 1% of total assets and 2% of net written premiums.
• In determining materiality for the Company, factors such as its publicly traded shares, status as a public interest entity, and high volatility in profits, total assets, and net written premiums were taken into consideration. Total assets and net income from insurance services were selected as the benchmarks for calculating materiality. Based on the results of a survey among the Company's employees, prior audit recommendations, and a report issued by the regulatory body, the risk assessment was deemed moderate. Consequently, the materiality percentages were set at 1% of total assets and 2% of net income from insurance services. |
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Emphasis of Matter

The financial statements of Ard Daatgal JSC have been prepared in accordance with the 'Accounting Guidelines for Insurance Companies, Chart of Accounts, Financial Statement Form, Disclosure and Methodology' approved by Order No. 132 of the Minister of Finance dated July 7, 2020.

These guidelines are based on the fundamental accounting principles outlined in IFRS and the Law on Accounting. For account postings and items not covered in the guidelines, the Company is required to develop a comprehensive set of accounting policy documents and accounts that fully comply with the relevant IFRS standards as well as the applicable laws, rules, and regulations of Mongolia.

In the preparation of its financial statements, the Company strictly adheres to the Set of Insurance Regulations approved by the Financial Regulatory Commission.

Other information

Management is responsible for the other information. The other information comprises the information included in the annual report of the Company for the year ended 31 December 2023, but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Auditor's responsibilities relating to fraud and other non-compliant acts

As part of an audit in accordance with ISAs, we uphold professional judgment and maintain a professional level of scepticism throughout the audit process. In addition, we:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other regulatory requirements

The fundamental legal framework governing insurance operations in Mongolia includes the Law on Insurance, the Law on Insurance Intermediaries, On Driver's Insurance, and a set of insurance regulations sanctioned by the Financial Regulatory Commission.

In alignment with Article 92 and 94 of the Mongolian Law On Company, the Company is obligated to disclose transactions involving parties with conflicts of interest, as well as information stipulated by the Law on Securities Market, directives from the Financial Regulatory Commission, the Mongolian Stock Exchange, and other pertinent details outlined in the Company Charter. Notably, no instances of non-compliance were detected concerning these regulatory mandates.

Solvency ratio

As of December 31, 2023, the company's solvency ratio is at a sufficient level, maintaining the Level 2 (2022: 118.65%). This meets the criteria outlined in Article 2.18 of the "Solvency Requirement for Long-term Insurers and Oversight Procedures," which states, "The insurer's solvency ratio is considered satisfactory if it achieves the Level 2, thereby deeming the insurer's solvency as sufficient."

Use of the audit report

In accordance with Article 94 of the Company Law of Mongolia, this report is intended solely for the shareholders of the Company and not for other entities. We do not bear liability to any third party beyond the scope of this report.



B. OSORGARAV
MANAGING PARTNER
28 March 2024

Statement of financial position

In thousand MNT	Note	Balance 31 December 2023	Balance 31 December 2022
Assets			
Cash and cash equivalents	7	4,226,869	814,417
Insurance receivables	8	3,836,634	5,638,403
Other financial assets	9	1,052,075	752,084
Other non-financial assets	10	1,687,569	548,452
Investment	11	24,732,264	24,181,282
Insurance assets	12	5,041,262	3,091,172
Property and equipment (net)	13	666,244	405,608
Intangible assets (net)	14	2,913,296	213,093
Total assets		44,156,213	35,644,511
Equity and liabilities			
Liabilities			
Insurance payables	15	1,910,825	2,220,430
Other financial liabilities	16	754,822	694,789
Other non-financial liabilities	17	905,817	1,345,534
Unearned premium reserves	18	17,815,647	11,569,702
Claim provision	19	4,551,184	3,134,774
Total liabilities		25,938,295	18,965,229
Equity attributable to owners			
Share capital	20.1	5,000,000	5,000,000
Share premium	20.3	3,280,854	3,280,854
Revaluation surplus	20.4	(1,985,923)	(267,492)
Retained earnings (loss)	20.5	11,922,987	8,665,920
Total equity		18,217,918	16,679,282
Total equity and liabilities		44,156,213	35,644,511

The financial statements were approved on 28 March 2024 by:

Chief Executive Officer

G. Tsogbadrakh
Date: 28 March 2024

Director of the Department of Financial
Management and Operations

T. Battsengel
Date: 28 March 2024

The notes presented on pages 13 to 53 form an integral part of these financial statements.

Statement of comprehensive income

In thousand MNT	Note	2023	2022
Insurance operations			
Gross written premiums	21.1	32,438,210	22,315,689
Insurance premiums refund	21.2	827,655	468,805
Cost of reinsurance premiums	21.3	5,660,407	4,230,922
Net written premiums		25,950,148	17,615,962
Change in unearned premiums reserve	22	(6,245,945)	(3,262,702)
Change in deferred reinsurance premiums	23	442,578	662,283
Net earned premiums		20,146,781	15,015,543
Claims incurred	24.1	14,095,483	7,858,896
Reinsurer's share of claims incurred	24.2	3,803,653	254,590
Third party recoveries	24.3	1,950,932	1,574,204
Net claims incurred		8,340,898	6,030,102
Change in claim provision	25.1	311,455	(244,479)
Change in reinsurers' share in claim provision	25.2	(74,721)	(10,437)
Change in unexpired risk reserve	25.3	1,104,956	(22,097)
Total cost of claim		9,682,588	5,753,089
Insurance acquisition costs	26	4,114,931	2,590,349
Reinsurance commission income	27	172,436	143,466
Investment income and gain (loss)	28	3,144,879	435,828
Total insurance operations profit (loss)		9,666,577	7,251,399
Income from interest and royalty		20,510	-
Other income	29	378,907	191,590
General and administrative expenses	30	2,044,144	2,355,406
Sales and marketing expenses	31	4,577,808	3,796,194
Finance expenses	32	24,163	13,785
Other expenses	33	440,589	202,222
Foreign exchange gain (loss)	34	76,845	(226,860)
Gain (loss) on disposal of tangible and intangible assets		(543)	54,106
Other profit (loss)		(6,610,985)	(6,348,771)
Profit (loss) before tax		3,055,592	902,628
Income tax expenses	35	(221,656)	165,973
Profit (loss) after tax		3,277,248	736,655

Other comprehensive income			
Revaluation deficit	20.4	(1,985,923)	(267,492)
Total comprehensive income		1,291,325	469,163
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Basic earnings per share		0.052	0.019

The notes presented on pages 13 to 53 form an integral part of these financial statements.

Statement of changes in equity

In thousand MNT	Equity	Share premium	Revaluation surplus	Retained earnings	Total
Balance 31 December 2021	5,000,000	3,280,854	-	10,114,993	18,395,847
Impact of changes in accounting policy and corrections of errors	-	-	-	(1,185,730)	(1,185,730)
Adjusted balance	5,000,000	3,280,854	-	8,929,263	17,210,117
Net profit (loss) for the year	-	-	-	736,657	736,657
Dividends	-	-	-	(1,000,000)	(1,000,000)
Changes in fair value of securities	-	-	(267,492)	-	(267,492)
Balance 31 December 2022	5,000,000	3,280,854	(267,492)	8,665,920	16,679,282
Impact of changes in accounting policy and corrections of errors	-	-	-	(20,181)	(20,181)
Adjusted balance	5,000,000	3,280,854	(267,492)	8,645,739	16,659,101
Net profit (loss) for the year	-	-	-	3,277,248	3,277,248
Dividends	-	-	-	-	-
Changes in fair value of securities	-	-	(1,718,431)	-	(1,718,431)
Balance 31 December 2023	5,000,000	3,280,854	(1,985,923)	11,922,987	18,217,918

The notes presented on pages 13 to 53 form an integral part of these financial statements.

Statement of cash flows

In thousand MNT	Note	2023	2022
Cash flows from operating activities			
Total cash inflow		44,616,808	26,846,330
Insurance premium income		33,909,458	20,416,387
Reinsurance recoveries		16,546	79,384
Insurance commission received		165,335	-
Other operating cash inflows		10,525,469	6,350,559
Total cash outflow		34,206,222	25,685,417
Paid to employees		1,158,052	1,680,673
Paid to social insurance administration		785,488	474,863
Acquisition of inventory		197,796	278,149
Paid for utilities		35,012	36,795
Reinsurance premiums paid to reinsurers		4,582,678	4,732,150
Voluntary insurance compensation		5,804,957	4,927,996
Mandatory insurance compensation		4,040,722	2,408,784
Insurance agent commission		2,631,007	1,925,532
Paid to insurance brokers		5,347,677	1,159,115
Paid for fuel, transportation, and spare parts		87,180	53,726
Interest paid		4,483	11,525
Taxes paid		1,119,052	1,158,830
Paid for insurance		6,217	32,933
Other operating cash outflows		8,405,901	6,804,346
Net cash flow from operating activities		10,410,586	1,160,913
Cash flows from investing activities			
Cash inflows from investing activities		3,431,972	6,665,261
Proceeds from sale of investment		3,362,984	6,446,867
Interest received		1,900	164,428
Dividends received		67,088	53,966

Statement of cash flows

(continued)

In thousand MNT	Note	2023	2022
Cash outflows from investing activities		10,508,287	7,577,826
Acquisition of property and equipment		416,594	7,942
Acquisition of intangible assets		45,000	-
Acquisition of investments		10,046,693	7,569,884
Net cash flow from investing activities		(7,076,315)	(912,565)
Cash flows from financing activities			
Cash outflows from financing activities		11,603	437,789
Dividends paid to owners		11,603	437,789
Net cash flows from financing activities		(11,603)	(437,789)
Foreign exchange difference		89,784	20,758
Net total cash flow		3,412,452	(168,683)
Cash assets at the beginning of year	7	814,417	983,100
Cash assets at the end of year	7	4,226,869	814,417

The notes presented on pages 13 to 53 form an integral part of these financial statements.