SEPERATE FINANCIAL STATEMENTS

for the year ended 31 December 2020

/ presented in accordance with IFRS /

“INVESCORE NBFI”

Joint Stock Company

“INVESCORE NBFI” JSC
Corporate Information

Incorporate Decision	“Invescore NBFI” JSC (the “Company”) was incorporated as a Limited Liability Company by its founders’ decision dated 21 April 2016 in accordance with the laws and regulations that are effective in Mongolia.
Certificate	The Company granted the State Registration Certificate No.9015003118 (Registration No. 6060854) on 29 March 2016. The State Registration Certificate No.9010002004 was re-issued due to the amendments made to the Company's operations on 11 June 2019. On 28 May 2020, the information on newly established branches during the reporting period was updated and registered.
Special License	The Special License No.1/554 on “Non-banking financial activities” was issued in accordance with the resolution No.159 of the Financial Regulatory Commission of Mongolia on 17 May 2016.
Operating activities	The main activities of the Company are lending, factoring services, trust services, investing in short-term financial instruments, investment and financial consulting and payment guarantees.

Major Shareholders		**Number of Shares**	**Ownership**
	“SIBJ Capital” LLC	60,968,730	85%
	Others	10,759,188	15%

Executive Management	Chief Executive Officer	Bayasgalan D.
	Deputy director	Amgalanbaatar Kh.
	Chief Financial Officer	Purev R.
Board of Directors	Chairman of the Board of Directors	Ankhbold B.
	Member of BOD	Bayasgalan D.
	Member of BOD	Munkhtur R.
	Member of BOD	Uyangakhishig G.
	Member of BOD	Telmen T.
	Member of BOD	Namiki Hirohito
	Independent member of BOD	Khashchuluun Ch.
	Independent member of BOD	Enkhbat D.
	Independent member of BOD	Unurjargal Ch.
	Secretary of BOD	Enerel A.

Permenant Address	**“Invescore NBFI” JSC** Level 13, Twin Tower-1 building, Seoul street, 2nd khoroo, Sukhbaatar district, Ulaanbaatar, Mongolia
Auditor	**“BDO Audit” LLC** Room 1502, Level 15, Union Building-B, UNESCO Street, Narnii Zam-62, 1st khoroo, Sukhbaatar district, Ulaanbaatar, Mongolia

Statement of Management’s Responsibility
for the preparation and approval of separate financial statements
for the year ended 31 December 2020

The following statement, which should be read in conjunction with the independent auditor’s responsibilities stated in the independent auditor’s report set out on pages 3-7, 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 “Invescore NBFI” Joint Stock Company (“the Company”) for the year ended 31 December 2020.

We, the management of the Company, are responsible for the preparation of the separate financial statements that present fairly, in accordance with International Accounting Standard 27, *Separate Financial Statements* (“IAS 27”) and other IFRSs. We acknowledge our responsibilities and confirm that we have prepared these separate financial statements fairly in accordance with International Accounting Standards 27, *Separate Financial Statements* (“IAS 27”) and accounting law, regulations and guidelines that are effective in Mongolia.

The separate financial statements of the Company for the year ended 31 December 2020 were authorized for issuance by the Company management.

______________________________	______________________________
BAYASGALAN D.	**PUREV R.**
Chief Executive Officer	Chief Financial Officer

Date: __________________

Ulaanbaatar, Mongolia

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of "Invescore NBFI" JSC

Report on the Audit of the Separate Financial Statements

Opinion

We have audited the separate financial statements of "Invescore NBFI" JSC, which comprise of:

- the separate statement of financial position as at 31 December 2020;
- the separate statement of profit or loss and other comprehensive income, separate statement of changes in equity, and separate statement of cash flows for the year then ended; and
- notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Company as at 31 December 2020 and its separate financial performance and its separate cash flows for the year then ended in accordance with International Accounting Standard 27, *Separate Financial Statements* ("IAS 27") and IFRSs.

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

Emphasis of Matter

We draw the attention to the Note 36d, *Effect of Covid 19 pandemic and events after reporting period*, which describes events that may have a significant impact on the Company's operation and financial performance due to pandemic spread of worldwide COVID-19 (corona virus) from January 2020. Our opinion is not qualified in respect of this matter.

INDEPENDENT AUDITOR'S REPORT (continued)

Key Audit Matter	Audit Response
1 Impairment of loans to customers	
The Company's carrying value of total loans provided to customers are 68.49% (2019: 75.7%) of the Company's total assets. In determining the impairment of loans to customers, the expected credit loss is estimated based on the historical credit loss under the management's assumptions of future cash flows and assumption of time. The Company's management used the expected credit loss model on collective and individual basis to estimate the impairment of loans at the end of the reporting period. In assessing the impairment of loans provided, the loans and similar assets were divided into 3 stages in accordance with IFRS 9, and the impairment was estimated on the expected credit loss model. The impairment of credit loss was calculated taking into account the impact of macroeconomic indicators on the global spread of COVID 19 pandemic. The assumptions used for the estimation may be inappropriate, therefore, in our judgement we considered this estimation as Key audit matter. Refer to disclosures in Note 16 for details.	We performed the following audit procedures for assessment of the provision of impairment loss on loans: • Assessed the design and operating effectiveness of the Company's controls over collective impairment; • Impairment estimates were checked to ensure that they were estimated in compliance with IFRS 9; • Tested the assumptions underlying the impairment identification and quantification as well as completeness of inputs used. • Reclassified and reviewed loans that included in the collective assessments to ensure whether loans are included in appropriate credit categories and aging of the loans are properly determined. • Reviewed the probabilities used by the management to determine the impairment of loans against the Company's credit policy and calculated using relevant market data. • Assessed the appropriateness of the disclosures regarding with expected credit loss. • Due to the economic impact of COVID 19, the government policies and regulations on the company are considered.

INDEPENDENT AUDITOR'S REPORT (continued)

Key Audit Matter (continued)	Audit Response (continued)
2 Significant inter-company transactions	
The Company has purchased the balance of online micro loan portfolio issued by its subsidiary "Invescore Pocket" NBFI LLC during the reporting year by concluding the Purchase and sale agreement in accordance with the Board Resolution A/32-T dated 23 December 2020. As a result, the micro-loan portfolio is recognized in the financial statements as assets at the carrying amount held by "Invescore Pocket" NBFI LLC on the same day and the inter-company balances were recorded. Refer to disclosures in Note 28 for details	The following procedures were performed to evaluate significant inter-company transactions: • Reviewed relevant sales and purchase agreements and verified the objectivity and accuracy of the transaction; • Assessed the adequacy of additional disclosures related to the transaction.

Other information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the separate financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the separate financial statements, our responsibility is to read the other information 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with IAS 27, *Separate Financial Statements* ("IAS 27"), 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 separate 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.

INDEPENDENT AUDITOR’S REPORT (continued)

Auditor’s Responsibilities for the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate 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 separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate 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 identified during our audit.

INDEPENDENT AUDITOR'S REPORT (continued)

Report on the Legal and Regulatory Requirements

We have audited the separate financial statements of "Invescore NBFI" JSC which comprise of the separate statement of financial position as at 31 December 2020, separate statement of profit and loss and other comprehensive income, separate statement of changes in equity, separate statement of cash flows for the year then ended and the notes to the separate financial statements, including a summary of significant accounting policies, and issued our opinion.

In addition to our audit of the separate financial statements, we also reviewed the Company's compliance to the regulations issued by regulatory agencies to be complied by Non-Bank Financial Institutions related to their financial statements. Based on our review, nothing has come to our attention that causes us to believe that the Company is not in compliance with Laws of Mongolia and regulations issued by the Financial Regulatory Commission of Mongolia.

Use of report

This report is made solely to the shareholders of "Invescore NBFI" JSC, as a body, in 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

BAYARTSOGZOL L.
"BDO Audit" LLC
Room 1502, Level-15
Union Building-B, UNESCO Street
Narnii Zam-62, 1-khoroo, Sukhbaatar district
Ulaanbaatar, Mongolia

Date: ____________________

SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2020

	Note	2020 MNT'000	2019 MNT'000
Interest and similar income	6	25,012,445	19,359,766
Interest and similar expenses	7	(6,755,193)	(4,072,393)
Loan impairment expenses	16	(1,144,891)	(56,963)
Net interest income		**17,112,361**	**15,230,410**
Fee and commission income	8	434,785	666,504
General and administrative expenses	10	(5,314,102)	(3,616,221)
Gains from foreign exchange difference	9	85,655	159,123
Profit from operations		**12,318,699**	**12,439,816**
Other non-operating income/(expenses)	11	(173,224)	(109,474)
Other gain/(loss)	12	(447,487)	(279,702)
Profit before tax		**11,697,988**	**12,050,640**
Income tax expenses	13	(2,255,468)	(2,542,578)
Net profit for the year		**9,442,520**	**9,508,062**
Earnings per share	14	131.64	132.56

The notes set out on page 13-81 form an integral part of these financial statements

SEPARATE STATEMENT OF FINANCIAL POSITION
as at 31 December 2020

	Notes	31 December 2020 MNT 000	31 December 2019 MNT 000
Assets			
Cash and cash equivalents	15a	16,289,147	4,440,168
Term deposit	15b	9,003,000	-
Investments	23	6,394,477	3,989,710
Loans to customers-net	16	93,315,788	62,301,229
Other financial assets-net	17	1,522,262	2,227,609
Other non-financial assets	18	383,292	1,334,864
Other real estate owned	19	821,892	1,055,576
Property, plant, equipment-net	20	5,088,157	4,942,837
Right-of-use assets	21	641,007	1,494,136
Intangible assets-net	22	2,793,735	536,619
TOTAL ASSETS		**136,252,757**	**82,322,748**
Liabilities			
Trust service liabilities	24	42,209,511	19,933,800
Borrowings from bank and financial institutions	25	14,100,200	14,515,976
Other liabilities	26	14,689,798	-
Bond issued by the NBFI	27	7,878,886	
Other financial liabilities	28	4,613,612	3,396,454
Other non-financial liabilities	29	617,911	1,497,913
Contingent liabilities	30	774,303	774,303
Income tax payables	13	703,522	981,808
TOTAL LIABILITIES		**85,587,743**	**41,100,254**
Equity			
Share capital	31	16,282,237	16,282,237
Additional paid-in capital	32	15,377,738	15,377,738
Retained earnings		19,005,039	9,562,519
TOTAL EQUITY		**50,665,014**	**41,222,494**
TOTAL LIABILITIES AND EQUITY		**136,252,757**	**82,322,748**

The notes set out on page 13-81 form an integral part of these financial statements

"INVESCORE NBFI" JSC

SEPARATE STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2020

	Share capital MNT'000	Additional paid-in capital MNT'000	Retained earnings MNT'000	Total MNT'000
At 31 December 2019	**16,282,237**	**15,377,738**	**9,562,519**	**41,222,494**
Net profit for the year	-	-	9,442,520	**9,442,520**
Total comprehensive income/(loss) for the period	**-**	**-**	**9,442,520**	**9,442,520**
Issuance of shares	-	-	-	**-**
At 31 December 2020	**16,282,237**	**15,377,738**	**19,005,039**	**50,665,014**

	Share capital MNT'000	Additional paid-in capital MNT'000	Retained earnings MNT'000	Total MNT'000
At 1 January 2019	**6,096,873**	**-**	**7,797,487**	**13,894,360**
Net profit for the year	-	-	9,508,061	**9,508,061**
Total comprehensive income/(loss) for the period	**-**	**-**	**9,508,061**	**9,508,061**
Issuance of shares	2,442,335	15,377,738	-	**17,820,073**
Dividends paid	7,743,029	-	(7,743,029)	**-**
At 31 December 2019	**16,282,237**	**15,377,738**	**9,562,519**	**41,222,494**

The notes set out on page 13-81 form an integral part of these financial statements

SEPARATE STATEMENT OF CASH FLOWS
for the year ended 31 December 2020

	Notes	2020 MNT'000	2019 MNT'000
Cash flow from operating activities			
Profit/(loss) before tax		**11,697,987**	**12,050,639**
Adjustment for:			
Depreciation of property, plant and equipment	20	183,642	83,961
Amortization of right of use assets	21	677,288	-
Amortization of intangible assets	22	69,960	23,725
Unrealized foreign exchange loss/(gain)	9	(101,782)	(201,705)
Loss/(Gain) on disposal of property, plant and equipment	12	257,434	279,702
Loss/(Gain) on write-offs of property, plant and equipment	19	(53,715)	-
Impairment of loans to customers	16	1,144,891	56,963
Impairment of other financial asset	17	212,713	-
Interest and similar income	6	(25,012,445)	(19,359,766)
Finance expense	7	6,841,116	4,072,393
Interest expense on lease obligations	21	99,123	120,367
Operating profit/(loss) before changes in working capital		**(3,983,788)**	**(2,873,721)**
(Increase)/Decrease in loans to customers		(28,650,854)	(27,585,028)
(Increase)/Decrease in other financial assets		(1,582,793)	383,120
(Increase)/Decrease in other non-financial assets		1,240,956	(1,202,846)
Increase/(Decrease) in other financial liabilities		(738,846)	3,354,395
Increase/(Decrease) in other non-financial liabilities		774,984	(658,556)
Cash flows used in operating activities		**(32,940,341)**	**(28,582,636)**
Income taxes paid	13	(2,533,754)	(1,867,874)
Interests received		21,807,665	13,273,199
Interests paid		(5,985,207)	(1,220,971)
Net cash flows used in operating activities		**(19,651,637)**	**(18,398,282)**
Cash flows from investing activities			
Acquisition of property, plant and equipment	20	(620,491)	(1,056,820)
Proceeds from disposal of property, plant and equipment	20	291,529	698,934
Acquisition of intangible assets	22	(1,677,305)	(442,174)
Acquisition of right of use asset	21	(423,670)	-
Proceeds from disposal of right of use asset	21	500,389	-
Acquisition of investment	23	(3,802,503)	(3,989,620)
Net cash flows provided from financing activities		**(5,732,051)**	**(4,789,680)**

The notes set out on page 13-81 form an integral part of these financial statements

SEPARATE STATEMENT OF CASH FLOWS
for the year ended 31 December 2020(continued)

	Notes	2020	2019
		MNT'000	MNT'000
Cash flows from financing activities			
Proceeds from issue of shares		-	17,820,073
Proceeds from bonds issued	27	7,927,398	-
Bond repayment	27	(319,000)	-
Proceeds from loans and borrowings	25	10,561,616	2,641,586
Repayment of loans and borrowings	25	(9,230,499)	(3,740,000)
Proceeds from trust services		42,972,955	17,660,744
Repayment of trust services		(6,749,897)	(9,135,930)
Lease interest repayment (2018: Financial lease interest payment	21	999,867	-
Net cash flows provided from financing activities		**46,162,456**	**25,246,473**
Total net cash flows for the year		**20,778,767**	**2,058,511**
Net increase in cash and cash equivalents		20,778,767	2,058,511
Cash and cash equivalents at the beginning of the year	15a,15b	4,440,168	2,297,690
The effects of exchange rate on cash and cash equivalents		73,212	83,967
Cash and cash equivalents at the end of the year	15a,15b	25,292,147	4,440,168

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
for the year ended 31 December 2020

CONTENT

1. Reporting Company

"Invescore NBFI" JSC (the "Company") was incorporated as a Limited Liability Company by its founders' decision dated 21 April 2016, in accordance with the laws and regulations that are effective in Mongolia. The Company was granted the State Registration Certificate No.9015003118 (Registration No. 6060854) on 29 March 2016. In 2019, the Company's status has been restructured into Joint Stock Company and the State Registration Certificate No.9010002004 was re-issued due to the amendments made to the Company's operations, on 11 June 2019.

On May 28, 2020, the information on newly established branches and units was registered and updated with the State Registration Office during the reporting period.

The Company's main activities are Loan Operations, Factoring Services, Trust Services, Investing in Short-Term Financial Instruments, Investment and Financial Advisory, and Payment Guarantees.

"Invescore NBFI" JSC was granted the Special License No.1/554 on "Non-banking financial activities" in accordance with the resolution No.159 of the Financial Regulatory Commission of Mongolia on 17 May 2016.

According to the Company's charter in force as of 31 December 2020, the composition of shareholders and share capital are as follows. These include:

Name of the Shareholders	Ownership percentage	31 December 2020		
		Number of Shares	Par value (MNT)	Total (MNT'000)
"SIBJ Capital" LLC	85%	60,968,730	227	13,839,901
Others*	15%	10,759,188	227	2,442,336
	100%	**71,727,918**		**16,282,237**

The Company's majority shareholder and controlling party is "SIBJ Capital" LLC.

*-The Company was listed on the Mongolian Stock Exchange on 22 May 2019, and traded 15% of its total shares on the primary capital market.

The "Company" had 118 employees on 31 December 2020 (2019:103).

2. Basis of financial statement preparation

The significant accounting policies adopted in the preparation of the consolidated financial statements are set out in note 38, *Summary of significant accounting policies*. The policies set out in note 38 have been consistently applied, unless otherwise stated.

The consolidated financial statements are presented in Mongolian Tugrug ("MNT"), which is also the Company's functional and reporting currency. Amounts are rounded to the nearest thousand, unless otherwise stated.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, International Financial Reporting Standards and Interpretations (together with IFRSs) issued by the International Accounting Standards Board (IASB).

The annexed financial statements and their disclosures represent the separate financial statements of the entity prepared in accordance with IAS 27, and the entity consolidates the financial statements of its subsidiaries and associates and prepares and presents the consolidated financial statements in accordance with IFRSs. This separate statement should be read together with the consolidated financial statements. The consolidated financial statements prepared in accordance with IFRSs are available at the Company's Twin Towers, 1st Floor, Seoul Street, Sukhbaatar District, Ulaanbaatar.

The preparation of consolidated financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires the company management to exercise judgment in applying the company's accounting policies. The critical accounting estimates, judgments and its impact in preparation of consolidated financial statements are set out in Note 4, Critical accounting estimates and judgments.

Basis of measurement

The financial statements have been prepared on a historical cost basis, except for the following items (refer to individual accounting policies for details):

- Financial instruments - fair value through profit or loss

3. New standards, interpretations and amendments

Changes in accounting policies

(a) New standards, interpretations and amendments effective from 1 January 2020

New standards impacting the Company that will be adopted in the annual financial statements for the year ended 31 December 2020, and which have given rise to changes in the Company's accounting policies are:

- *Definition of a business (amendment to IFRS 3)*;
- *Lease discounts related to COVID-19* (amendment to IFRS 16).

3. New standards, interpretations and amendments

Definition of a business (amendment to IFRS 3)

Amendments to IFRS 3 were mandatorily effective for reporting periods beginning on or after 1 January 2020. The Company has applied the revised definition of a business for acquisitions occurring on or after 1 January 2020 in determining whether an acquisition is accounted for in accordance with IFRS 3 *Business Combinations*. The amendments do not permit the Company to reassess whether acquisitions occurring prior to 1 January 2020 met the revised definition of a business.

COVID-19-Related Rent Concessions (Amendments to IFRS 16)

Effective 1 June 2020, IFRS 16 was amended to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the COVID-19 pandemic and satisfy the following criteria:

(a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
(b) The reduction is lease payments affects only payments originally due on or before 30 June 2021; and
(c) There are is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with the practical expedient, which means the lessee does not assess whether the rent concession meets the definition of a lease modification. Lessees apply other requirements in IFRS 16 in accounting for the concession.

The Company has elected to utilise the practical expedient for all rent concessions that meet the criteria. The practical expedient has been applied retrospectively, meaning it has been applied to all rent concessions that satisfy the criteria, which in the case of the Company, occurred from March 2020 to June 2020.

See **Note 21** for details on the impact of the standard change

Accounting for the rent concessions as lease modifications would have resulted in the Company measuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Company is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

3. New standards, interpretations and amendments (continued)

Other standards

New standards that have been adopted in the annual financial statements for the year ended 31 December 2020, but have not had a significant effect on the Company are:

- IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* (Amendment – Disclosure Initiative - Definition of Material); and
- Revisions to the Conceptual Framework for Financial Reporting.

(b) New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the company has decided not to adopt early.

The following amendments are effective for the period beginning 1 January 2021:

- Interest rate benchmark reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The following amendments are effective for the period beginning 1 January 2022:

- *Onerous Contracts – Cost of Fulfilling a Contract* (Amendments to IAS 37);
- *Property, Plant and Equipment: Proceeds before Intended Use (*Amendments to IAS 16);
- *Annual Improvements to IFRS Standards 2018-2020* (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- *References to Conceptual Framework* (Amendments to IFRS 3).

Company is currently assessing the impact of these new accounting standards and amendments.

Other

The Company does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the Company.

- IFRS 17 *Insurance Contracts (effective 1 January 2023)* - In June 2020, the IASB issued amendments to IFRS 17, including a deferral of its effective date to 1 January 2023.

4. Critical accounting estimates and judgments

The Company makes certain estimates and assumptions regarding the future. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimates and assumptions

Going concern

These financial statements were prepared on a going concern basis.

Other

- Impairment of loans receivable- Impairment of financial assets is calculated based on expected credit losses (see Notes 21 and Notes 47 (f).
- The determination of lease term for some lease contracts in which the Company is a lessee, including whether the Company is reasonably certain to exercise lessee options (note 26)
- The determination of the incremental borrowing rate used to measure lease liabilities (note 26)

Fair value measurement

A number of assets and liabilities included in the Company's financial statements require measurement at, and/or disclosure of, fair value. The fair value measurement of the Company's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

- *Level 1*: Quoted prices in active markets for identical items (unadjusted)
- *Level 2*: Observable direct or indirect inputs other than Level 1 inputs
- *Level 3*: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The company measures the following at fair value.

- Financial Instruments (Note 5)
- Potential Things (Note 34)

For more information on measuring the fair value of the above items, see the relevant notes.

5. Financial instruments - Risk management

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

a) Credit risk,
b) Market risk
    (1) Interest rate risk,
    (2) Foreign exchange risk,
    (3) Other market price risk
c) Liquidity risk

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

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

(i) Principal financial instruments

The principal financial instruments used by the Company, from which financial instrument risk arises, are as follows:

- Loans provided to customers
- Cash and cash equivalents
- Other financial assets
- Trust service liabilities
- Borrowings from bank and financial institutions
- Other financial liabilities

5. Financial instruments - risk management (continued)

(ii) Financial instruments by category

Financial assets

	Fair value through profit or loss		Amortised cost		Fair value through other comprehensive income	
	31 December 2020 MNT'000	31 December 2019 MNT'000	31 December 2020 MNT'000	31 December 2019 MNT'000	31 December 2020 MNT'000	31 December 2019 MNT'000
Cash and cash equivalents	-	-	25,292,147	4,440,168	-	-
Equity investments	-	-	6,394,477	3,989,710	-	-
Loans to customers-net	-	-	93,315,788	62,301,230	-	-
Debt instruments	-	-	1,522,262	2,227,609	-	-
Total financial assets	**-**	**-**	**126,524,674**	**72,958,717**	**-**	**-**

Financial liabilities

	Fair value through profit or loss		Amortised cost	
	31 December 2020 MNT'000	31 December 2019 MNT'000	31 December 2020 MNT'000	31 December 2019 MNT'000
Trust service liabilities	-	-	(42,209,511)	(19,933,800)
Bond debt	-	-	(7,878,886)	-
Borrowings from bank and financial institutions	-	-	(14,100,200)	(14,515,976)
Other sources	-	-	(14,689,798)	-
Other financial liabilities	-	-	(4,613,612)	(4,186,441)
Total financial liabilities	**-**	**-**	**(83,492,007)**	**(38,636,217)**
Net financial assets / (liabilities)	**-**	**-**	**43,032,667**	**34,322,500**

5. Financial instruments – risk management (continued)

(ii) Financial instruments by category (continued)

Net gain from/(loss on) financial instruments

31 December 2020	**Interest income**	**Interest expenses**	**Fee and commission income/(expense)**	**Impairment loss**	**Net gain/(loss)**
	MNT'000	**MNT'000**	**MNT'000**	**MNT'000**	**MNT'000**
Cash in the bank	232,178	-	(16,369)	-	**215,809**
Loans to customers	24,780,267	-	434,785	(2,331,298)	**22,883,754**
Other financial assets	-	-	-	(334,494)	**(334,494)**
Financial liabilities	-	(6,755,193)	-	-	**(6,755,193)**
Total	**25,012,445**	**(6,755,193)**	**418,416**	**(2,665,792)**	**16,009,876**

31 December 2019	**Interest income**	**Interest expenses**	**Fee and commission income/(expense)**	**Impairment expense**	**Net gain/(loss)**
	MNT'000	**MNT'000**	**MNT'000**	**MNT'000**	**MNT'000**
Cash in the bank	117,515	-	-	-	**117,515**
Loans to customers	19,242,252	-	666,504	(56,963)	**19,851,793**
Other financial assets	-	-	-	(279,702)	**(279,702)**
Financial liabilities	-	(4,136,615)	-	-	**(4,136,615)**
Total	**19,359,767**	**(4,136,615)**	**666,504**	**(336,665)**	**15,552,991**

5. Financial instruments – risk management (continued)

(iii) Financial instruments not measured at fair value

Financial instruments not measured at fair value includes cash and cash equivalents, loans to customers, other financial assets, trust service liabilities, borrowings, and other financial liabilities.

Due to their short-term nature, the carrying value of cash and cash equivalents, trade and other receivables, and trade and other payables approximates their fair value.

General objectives, policies and processes

The Board has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function. The management receives monthly reports from the Company Financial Controller through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The Company's internal auditors also review the risk management policies and processes and report their findings to the Audit Committee.

The overall objective of the management is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below:

a) *Credit risk*

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is mainly exposed to credit risk from the customers not being able to fulfil its obligations under the loan agreement, impairment of the collateral, and not being able to fulfil its obligations with the collateral. The Credit Committee implements credit risk management of the Company in an integrated manner by regularly discussing and resolving and, if necessary, the issue is discussed in the Board meeting.

The Company follows the "Risk Management Policy" issued by the Credit Committee for its loan activities. According to the policy, the risk management process consists of 5 interrelated stages.

1. Risk identification
2. Risk analysis and measurement
3. Risk assessment – Quantitative and qualitative approaches appropriate to the nature of the risk
4. Risk treatment
5. Monitor and review

The main purpose of the credit risk management is to optimize the level of risks and expected returns of loan activities.

5. Financial instruments - risk management (continued)

The Company adheres to the following principles in their credit risk management activities:

1. Accountability
2. Independence
3. To operate within the framework of policies and procedures
4. Providing complete loan documentation
5. Consistency
6. Adherence to the set limits and scattering the loan package

To structure the level of credit risk, the Company undertakes by placing limits on the amount of risk acceptable to one individual borrower or a Company of borrowers and to an industry sector. Exposure to credit risk is managed through regular analysis of the ability of the borrowers and potential borrowers to meet interest and principal repayment obligations. Credit limit is modified when necessary. Exposure to credit risk is also managed by obtaining collateral and corporate or personal guarantees.

In 2019 and 2020 the Company has met the requirements which requires the NBFIs to maintain the ratio as follows: loans, other assets equivalent to loans and the maximum amount of the payment guarantee that relate to their unit of ownership of the shareholders, the Chairman or members of the Board of Directors, Chief Executive Officer, employees and their related persons of the "Non-bank financial institution" shall not exceed 10 percent of the total equity, and total amount of these loans, other assets equivalent to loans shall not exceed 25 percent of the total equity.

Loans provided to the largest borrowers and related parties are as follows:

	2020		2019	
	MNT'000	**Percentage of total equity**	**MNT'000**	**Percentag e of total equity**
Loans and other similar assets provided to largest borrowers (by 40 largest borrowers)	28,311,316	52.84%	19,188,970	47.51%
Loan and other similar assets provided to individual largest borrower (a largest borrower)	3,827,611	7.85%	3,827,611	9.44%
Loans and other similar assets provided to shareholders, employees, and related parties	301,276	0.59%	3,025,796	7.46%
Loans and other similar assets provided to individual shareholder, employee, and related party (the largest borrower-1)	29,393	0.06%	1,452,320	3.58%

5. Financial instruments - risk management (continued)

Cash and short-term savings in bank

The Company's current and savings accounts are placed in the following banks and financial institutions (rating by Moody's agency):

	Moody's Rating	31 December 2020 MNT'000	31 December 2019 MNT'000
Demand deposits			
Khan bank	**B3**	254,066	1,304,077
Trade and development bank	**B3**	3,017,099	730,593
Khas bank	**B3**	44	-
Total demand deposits		**3,271,209**	**2,034,670**
Bank deposits			
Trade and development bank	**B3**	18,167,805	2,405,498
Khan bank	**B3**	2,353,133	-
Trans bank	**B3**	1,500,000	-
Total bank deposits		**22,020,938**	**2,405,498**
Total		**25,292,147**	**4,440,168**

a) Market risk

Market risk arises from the Company's use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rate (currency risk) or other market factors (other market price risk).

i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market rates.

The management of the Company considers the financial assets and financial liabilities at the end of the reporting period based on the interest rate sensitivity analysis of potential changes in interest rates do not have significant impact on the income statement and equity.

5. Financial instruments - risk management (continued)

a) Market risk (continued)

Amount of interest bearing receivables and liabilities, and related interest rates are shown below:

	Interest rate /per annum/ %	31 Dec 2020 MNT'000	Interest rate /per annum/ %	31 Dec 2019 MNT'000
Interest bearing receivables				
Business loans	18%-42%	38,835,432	18%-42%	25,593,243
Car loans	30%-40,8%	16,486,267	19.2%-48%	12,111,340
Consumer loans	24%-40,8%	30,352,948	19.2%-46.8%	25,432,918
Credit card loans	12%	230,183	12%	468,879
Online micro loans	18%-84%	9,974,526		-
		95,879,356		**63,606,380**

	Currency	Interest rate /yearly/ %	31 Dec 2020 MNT'000	31 Dec 2019 MNT'000
Interest-bearing liabilities				
Trust service liabilities	MNT	13.6% - 38.8%	27,981,045	11,604,650
(Interest rates vary depending on the amount, term, terms of trust and currency)	USD	4% - 10.5%	12,456,223	6,136,856
	JPY	7% - 9%	1,772,243	2,192,294
Total trust service liabilities			**40,209,511**	**19,933,800**
Bond liabilities *(Interest rates vary depending on the amount and term)*	MNT	15%	87,000	-
	MNT	17%	3,751,000	-
	MNT	18%	2,173,000	-
	MNT	19%	1,870,000	-
Total bond liabilities			**7,881,000**	**-**
"SIBJ Capital" LLC	MNT	19%	10,229,089	13,556,717
"Bridge Japan" LLC	JPY	10%	662,980	-
"Bridge Japan" LLC	USD	10%	1,532,490	-
"Bridge Japan" LLC	USD	9%	1,445,459	-
TDB - Credit card	MNT	23%	230,183	459,259
TDB - Pledged deposit	MNT	17%	-	500,000
Total loan payable			**14,100,201**	**14,515,976**

At 31 December 2020, if interest rates at that date had been 20 percent lower (2019: 20 percent lower) with all other variables held constant, profit for the year would have been MNT 1,351,039 thousand, (2019: MNT 814,479 thousand) higher, mainly as a result of lower interest expense on variable interest liabilities. If interest rates had been 20 percent higher (2019: 20 percent higher), with all other variables held constant, profit would have been MNT 1,351,039 thousand (2019: MNT 814,479 thousand) lower, mainly as a result of higher interest expense on variable interest liabilities.

5. Financial instruments – risk management (continued)

a) Market risk (continued)

ii) Foreign currency risk

Foreign currency risk is the risk that the fair value of financial instruments will fluctuate as a result of changes in foreign currency rates. This risk arises from foreign currency transactions and recognised assets and liabilities denominated in the foreign currencies. The Financial Regulatory Commission of Mongolia requires that the net financial position between on and off-balance sheet foreign assets and liabilities in relation to a single and total currencies shall not be exceeded more than 40 percent of total equity. In the reporting year, the ratio of net foreign currency accounts to equity did not violate this criterion, which is 23%.
As of 31December the Company's net exposure to foreign exchange risk was as follows:

	MNT		USD		Others		Total	
As at 31 December	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
	MNT'000	**MNT'000**	**MNT'000**	**MNT'000**	**MNT'000**	**MNT'000**	**MNT'000**	**MNT'000**
Financial assets								
Cash and time deposits	11,646,267	4,150,007	12,584,301	191,427	1,061,580	98,734	25,292,147	4,440,168
Financial assets	3,137,997	2,500,090	-	-	3,256,480	1,489,620	6,394,477	3,989,710
Equity investment	80,003,869	50,843,538	10,026,577	8,476,279	3,285,342	2,981,413	93,315,788	62,301,229
Loans to customer-net	1,522,262	3,283,185	-	-	-	-	1,522,262	3,283,185
Total financial assets	**96,310,395**	**60,776,820**	**22,610,878**	**8,667,706**	**7,603,402**	**4,569,767**	**126,524,674**	**74,014,292**
Financial liability								
Trust service liabilities	(27,981,045)	(11,604,650)	(12,456,223)	(6,136,856)	(1,772,243)	(2,192,294)	(42,209,511)	(19,933,800)
Bond debt	(7,878,886)	-	-	-	-	-	(7,878,886)	-
Loan from NBFI	(10,459,271)	(14,515,976)	(2,977,949)	-	(662,980)	-	(14,100,200)	(14,515,976)
Due to customers	(14,689,798)	-	-	-	-	-	(14,689,798)	-
Other financial liabilities	(3,888,347)	(4,168,505)	(246,777)	(17,936)	(478,488)	-	(4,613,612)	(4,186,441)
Total financial liabilities	**(64,897,347)**	**(30,289,131)**	**(15,680,949)**	**(6,154,792)**	**(2,913,711)**	**(2,192,294)**	**(83,492,007)**	**(38,636,217)**
Total sensitivity	**31,413,048**	**30,487,689**	**6,929,929**	**2,512,914**	**4,689,691**	**2,377,473**	**43,032,667**	**35,378,075**

5. Financial instruments – risk management (continued)

a) Market risk *(continued)*

ii) Foreign currency risk (continued)

The following table presents sensitivities of profit or loss, and equity to reasonably possible changes in exchange rates applied at the end of the reporting period relative to the functional currency of the Company, with all other variables held constant:

	Impact on profit or loss 2020 MNT'000	Impact on profit or loss 2019 MNT'000
USD strengthening by 20% (2019: 20%)	(5,543,943)	(2,010,331)
USD weakening by 20% (2019: 20%)	5,543,943	2,010,331

b) Liquidity risk

Liquidity is the risk that the Company will not be able to meet its financial obligation as they become due. 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. To achieve this aim, it seeks to maintain cash balances (or agreed facilities) to meet expected requirements.

Liquidity risk arises from the Company's ability to manage its cash flows. The company prepares its annual budget based on an assessment of its cash flow needs. The Company conducts monthly solvency risk assessments, submits them to the Board of Directors, and plans further actions.

The Resolution No. 210 of 2019 of Financial Regulatory Commission on "Regulations for calculating and monitoring the prudential ratios of NBFIs stipulates that the liquidity ratio must be at least 8% and the ratio of Tier 1 capital to total risk-weighted assets is 10%. The solvency ratio was 30% and the risk-weighted assets ratio was 37% in the reporting year.

5. Financial instruments - risk management (continued)

a) Liquidity risk (continued)

The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities:

As at 31 December 2020	**Between 3 and 12 months**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Total**
	MNT'000	**MNT'000**	**MNT'000**	**MNT'000**
Financial liabilities				
Trust service liabilities	(22,549,187)	(20,056,863)	(1,998,679)	**(44,604,729)**
Bond payables	(388,771)	(4,860,266)	(4,092,282)	**(9,341,319)**
Borrowings from bank and financial institutions	(57,904)	(301,631)	(13,745,107)	**(14,104,642)**
Other sources	(14,689,798)	-	-	**(14,689,798)**
Other financial liabilities	(714,055)	(3,899,556)	-	**(4,613,611)**
Total financial liabilities	**(38,399,715)**	**(29,118,316)**	**(19,836,068)**	**(87,354,099)**

As at 31 December 2019	**Between 3 and 12 months**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Total**
	MNT'000	**MNT'000**	**MNT'000**	**MNT'000**
Financial liabilities				
Trust service liabilities	(2,472,339)	(17,150,263)	(4,743,957)	**(24,366,559)**
Borrowings from bank and financial institutions	(507,134)	-	(36,501,774)	**(37,008,908)**
Other financial liabilities	(142,442)	(907,874)	(3,136,125)	**(4,186,441)**
Total financial liabilities	**(3,121,915)**	**(18,058,137)**	**(44,381,856)**	**(65,561,908)**

5. Financial instruments - risk management (continued)

Disclosure of capital

The Company controls 'adjusted capital', which consists of all components of the equity other than cash flow hedge reserves (e.g. share capital, additional paid-in capital, non-controlling interest, retained earnings and revaluation surplus). The primary objectives of the Company's capital management are:

- Safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for the other stakeholders; and
- Giving shareholders an appropriate benefit by setting prices for products and services based on the level of risk.

The Company sets the amount of capital it requires in proportion to risk. The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Consistent with others in the industry, the Company monitors capital on the basis of the debt to adjusted capital ratio. This ratio is calculated as net debt adjusted capital as defined above. Net debt is calculated as total debt (as shown in the consolidated statement of financial position) less cash and cash equivalents.

Due to recent market uncertainty, the Company's strategy is to preserve a strong cash base and achieve a debt-to-adjusted-capital. Objective of this strategy is to secure access to finance at reasonable cost by maintaining a high credit rating. The debt-to-adjusted-capital ratios at 31 December 2019 and at 31 December 2020 were as follows:

	2020 MNT'000	2019 MNT'000
Borrowings and liabilities	84,109,918	34,449,776
Lease liabilities	368,341	1,007,653
Less: Cash and cash equivalents	(25,292,147)	(4,440,168)
Net liabilities	59,186,112	31,017,261
Total equity	50,665,014	41,222,494
Less: Cash flow hedge reserves	-	-
Total adjusted capital	**50,665,014**	**41,222,494**
Gearing ratio (%)	**117%**	**75%**

The new line of liabilities in the consolidated statement of financial position (Note 24-27) resulted in increase in the net liabilities slightly from the previous year, however, the amount of net liabilities has been decreased due to the increase in free cash and cash equivalent. The increase in equity in 2020 resulted in the decline in the adjusted capital ratio. In view of this change to the ratio, the Company has revisited its debt to adjusted capital ratio target going forward.

6. Interest and similar income

Disaggregation of revenue

The Company has disaggregated revenue into various categories in the following table which is intended to:

- depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic date; and
- enable users to understand the relationship between revenue-generating branches and product types;

	2020 MNT'000	2019 MNT'000
By income types		
Interest income on loans	24,780,267	19,242,251
Interest income from current and savings account	232,178	117,515
Total	**25,012,445**	**19,359,766**
Primary geographic markets		
Income in Ulaanbaatar city	24,879,023	19,263,116
Income in Provinces (Rural area)	133,422	96,650
Total	**25,012,445**	**19,359,767**
By product types		
Business loans	8,646,149	7,698,591
Consumer loans	6,227,733	3,707,779
Car loans	9,838,934	7,835,881
Credit card loans	67,451	-
Interest income from current and savings account	232,178	117,515
Total	**25,012,445**	**19,359,766**

7. Interest and similar expenses

	2020 MNT'000	2019 MNT'000
Interest expense on bond	(598,742)	-
interest expense on borrowings received	(2,051,118)	(1,987,502)
Interest expense on trust service	(4,105,333)	(2,084,891)
Total	**(6,755,193)**	**(4,072,393)**

8. Fee and commission income

	2020 MNT'000	2019 MNT'000
Fee income on loan service [1]	428,002	644,446
Fee income on 8% loans [2]	6,783	22,058
Total	**434,785**	**666,504**

[1]- The Company charges loan fees for the purpose of sustainability of its operation, and the fee income on loan services is used to cover the Company's operating expenses, the amount of which is determined to cover the necessary expenses incurred during the loan process. Loan fees and commissions are determined in each loan agreement depending on the amount of the loan, and the fee is charged from the total amount of loan, when the proceed of loan is transferred to the borrower. This fee income is not deemed to be an integral part of the financial instrument issued, and is recognized in accordance with IFRS 15.

[2]- The Company provides 8% loan services in cooperation with its customer entity. Fee and commissions are earned on 8% loans at certain percent described in in each loan agreement.

9. Foreign exchange gain/(loss)

	2020 MNT'000	2019 MNT'000
Unrealized gains from foreign exchange difference	3,454,619	676,374
Realized gains from foreign exchange difference	19,980	12,104
Realized losses on foreign exchange difference	(36,107)	(54,686)
Unrealized losses on foreign exchange difference	(3,352,837)	(474,669)
Total	**85,655**	**159,123**

10. General and administrative expense

	2020 MNT'000	2019 MNT'000
Wages and salaries	(2,221,144)	(1,604,087)
Bonus and premium	(5,327)	-
Employee benefits and social welfare	(22,500)	(5,671)
Business trip expenses	(64,059)	(132,044)
PIT expenses	(125,481)	(200,055)
Training costs	(31,220)	(80,782)
Expenses related to collection of loans	(62,519)	(12,475)
Auditing and professional service expenses	(416,310)	(194,783)
Insurance expenses	(161,406)	(4,075)
Rental expenses	(34,825)	(28,294)
Regulatory service fees	(3,240)	-
Utility expenses	(94,073)	(18,178)
Depreciation expenses	(930,890)	(481,969)
PPE maintenance expenses	(5,640)	(3,761)
Communication expenses	(156,814)	(91,205)
Fuel and transportation expenses	(107,981)	(58,967)
Automotive spare parts and maintenance costs	(2,917)	(9,018)
Commission fees	(24,237)	(4,190)
Fees and charges	(101,594)	(13,507)
Labor protection costs	(43,179)	(8,080)
Automation expenses	(136,851)	(68,171)
Advertisement expenses	(296,563)	(203,111)
Stationery expenses	(31,169)	(39,329)
Sanitary expenses	(14,739)	(18,415)
Real estate tax	(3,959)	-
Advocacy fees	(14,485)	-
Notary fees	(9,226)	-
Stamp fees	(2,736)	-
Operating other expenses	(89,895)	(215,687)
Interest expense on lease liabilities [1]	(99,123)	(120,367)
Total	**(5,314,102)**	**(3,616,221)**

[1]- This amount represents the amount of interest expense for the current year, calculated at an incremental interest rate on the amount of Lease Liabilities in Note 21.

11. Other non operating income/(expenses)

	2020 MNT'000	2019 MNT'000
Entertainment expenses	(78,575)	(92,095)
Expenses of reception and celebration	(61,169)	(58,183)
Expenses without supporting document	(45,943)	(19,991)
Donation expenses	(41,900)	-
Non-operating other expenses	(3,794)	-
Welfare costs	(2,000)	-
Interest expenses on accumulation fund	(619)	-
Penalty costs	(364)	-
Other income	61,140	60,795
Total	**(173,224)**	**(109,474)**

(1) - This amount represents the amount of income earned from renting out office space to others.

12. Other gain/(loss)

	2020 MNT'000	2019 MNT'000
Impairment losses on other financial assets (1)	(342,282)	-
Impairment losses on other property (2)	(257,434)	(279,702)
Impairment losses on other held property 2)	(34,595)	-
Investment sales gains (3)	186,824	-
Total	**(447,487)**	**(279,702)**

(1) - This amount represents the allowance for impairment losses, taking into account the aging and nature of receivables arising from transactions other than loan receivables from the company's customers.

(2) -This amount represents the amount of losses from subsequent measurements of repossessed collaterals which is measured and reported in accordance with IFRS 5 "Non-current Assets held for Sale and Discontinued Operations

(3) - This amount represents the gain on the carrying amount of the investment in the current year, as disclosed in Note 23.

13. Income tax

Movements in the income tax for the year is as follows:

	2020 MNT'000	2019 MNT'000
Balance at 1 January	**981,808**	**305,374**
Current tax expense of the year	2,255,468	2,542,578
Income tax paid	(2,533,754)	(1,866,144)
Balance at 31 December	**703,522**	**981,808**

In 2020, According to Corporate Income Tax Law of Mongolia, the Company has an obligation to pay the Corporate Income Tax at the rate of 10% of the portion of taxable profits up to MNT 6 billion (2019: 3 billion) and 25% of the portion of taxable profits above MNT 6 billion (2019: 3 billion).

Reconciliation between the expected and the actual taxation charge is provided below.

	2020 MNT'000	2019 MNT'000
Profit/(Loss) for the year	**9,442,520**	**9,508,062**
Income tax expense	2,255,468	2,542,578
Profit/(Loss) before income taxes	**11,697,988**	**12,050,640**
Income subject to special rate and related expenses	(140,204)	(109,136)
Income not taxable for tax purposes	(510,287)	-
Expenses not deductible for tax purposes	1,518,291	186,859
Taxable temporary differences	-	(201,706)
Taxable income at general rate	**12,565,788**	**11,926,657**
Tax rates	10%; 25%	10%; 25%

Changes in tax rates and factors affecting future tax costs

	2020 MNT'000	2019 MNT'000
Current tax expense		
Income tax expense – at Japanese state tax rate	2,241,448	2,531,664
Income tax expense – at special rate - 2-40%	14,020	10,914
Deferred tax expense/(benefit)	-	-
Total income tax expenses for the year	**2,255,468**	**2,542,578**

14. Earnings per share

	31 December 2020 MNT'000	31 December 2019 MNT'000
Net profit for the year	**9,442,520**	**9,508,062**
The weighted average number of ordinary shares	71,727,918	71,727,918
Earnings per share	**131.64**	**132.56**

15. a Cash and cash equivalents

	31 December 2020 MNT'000	31 December 2019 MNT'000
Cash in bank	3,271,209	2,034,670
Demand deposit [1]	13,017,938	2,405,498
Total	**16,289,147**	**4,440,168**

[1] - The company has the following demand deposits :

- On 17 July 2020, the company entered into a demand deposit agreement with the Trade and Development Bank No. 413029366 with an annual interest rate of 3%. The balance at the end of the year is MNT 50,227 thousand.
- On 17 July 2020, the company entered into a demand deposit agreement with the Trade and Development Bank No. 413029366 with an annual interest rate of 1%. The year-end balance is USD 3,725,053.6.
- On 30 September 2020, the company entered into a demand deposit agreement with Khan Bank with an annual interest rate of 4.5%. The balance at the end of the year is MNT 2,353,133 thousand.

Cash and cash equivalents denominated in original currency are as follows:

	31 December 2020 MNT'000	**31 December 2019 MNT'000**
MNT	2,643,267	1,760,317
USD	12,584,301	2,595,517
JPY	1,061,470	84,334
EUR	109	-
Total	**16,289,147**	**4,440,168**

15. b Time deposit

	31 December 2020 MNT'000	31 December 2019 MNT'000
Deposit (2)	9,003,000	-
Total	**9,003,000**	-

(2) -The company has the following term deposits

- On 28 October 2020, the company entered into a 6-month deposit agreement with the Trade and Development Bank No. 413030854 with an annual interest rate of 11.4%. The balance at the reporting date was MNT 7,503,000 thousand.
- The company entered into a one-year deposit agreement with Trans Bank on 30 December 2020 with an interest rate of 14% per annum. The balance at the reporting date is MNT 1,500,000 thousand.

Cash and cash equivalents and time deposits are classified by banks:

	Moody's Rating	31 December 2020 MNT'000	31 December 2019 MNT'000
Current account			
Khan bank	B3	254,066	1,304,077
Trade and development bank	B3	3,017,099	730,593
Khas bank	B3	44	-
Total current account		**3,271,209**	**2,034,670**
Demand deposit			
Trade and development bank	B3	10,664,805	2,405,498
Khan bank	B3	2,353,133	-
Total demand deposit		**13,017,938**	**2,405,498**
Time deposit			
Trade and development bank	B3	7,503,000	-
Trans bank	B3	1,500,000	-
Total term deposit		**9,003,000**	-
Total		**25,292,147**	**4,440,168**

16. Loans to customers - net

***Table1* -** Loan and interest receivables are classified by category:

	31 December 2020 MNT'000	31 December 2019 MNT'000
Classification		
Stage 1	92,370,866	60,049,925
Stage 2	189,029	2,084,769
Stage 3	3,319,461	1,471,686
Total loan receivables	**95,879,356**	**63,606,380**
Less: Allowance for loan receivable impairment [(1)]	(2,563,568)	(1,305,151)
Total net loans	**93,315,788**	**62,301,229**

[(1)]- The Company applies the IFRS 9 general 3-stage approach to measuring expected credit losses. See Table 3 for details of movement in the expected credit loss of loan receivables.

***Table2* -** Loan and interest receivables are classified by products:

	31 December 2020 MNT'000	31 December 2019 MNT'000
Credit card loans	236,506	468,879
Online micro loans	9,974,526	-
Consumer loans	16,486,267	12,111,340
Car loans	30,352,948	25,432,918
Business loans	38,829,108	25,593,243
Total loan receivables	**95,879,355**	**63,606,380**
Less: Allowance for loan receivable impairment	(2,563,567)	(1,305,151)
Total net loans	**93,315,788**	**62,301,229**

[(1)]- In accordance with the Resolution No.A/32-T of the Board of Directors dated December 23, 2020, the micro-loan issued by its wholly-owned subsidiary "Invecore Pocket" NBFI LLC in accordance with the agreement No. №P-201231-001 and represents the balance of this portfolio as at 31 December 2020.

16. Loans to customers-net (continued)

Table 3- Movements in the impairment allowance of loan receivables are shown below:

	2020 MNT'000	2019 MNT'000
Balance at 01 January	**(1,305,151)**	**(1,270,227)**
The cost of the expected loss of the loans (1)	(2,331,298)	(380,301)
Repayment of expected loan losses (1)	1,186,407	323,337
Loan reserve fund (2)	(133,840)	-
Written off	20,315	22,040
Impairment loss for the year	**(1,258,417)**	**(34,923)**
Balance at 31 December	**(2,563,567)**	**(1,305,151)**

(1)- The net expected credit loss of the loan is MNT 1,144,891 thousand and is reported in the statement of profit or loss and other comprehensive income.

(2)- This amount represents the reserve fund that was transferred together with the **Table 2** micro loans.

Table 4- Expected loss from impairment of loan receivable:

Loan classification	Collective assessment	Loan portfolio MNT'000	ECL rate %	ECL MNT'000
Consumer loan - Performing	Stage 1	37,125,661	2%	633,515
Consumer loan - Past due	Stage 2	62,253	0%	184
Consumer loan - Substandard	Stage 3	227,941	17%	37,897
Consumer loan - Doubtful	Stage 3	610,155	17%	101,443
Consumer loan - Loss	Stage 3	804,352	17%	133,730
Consumer loan (Pocket)- Performing	Stage 1	9,545,034	3%	307,268
Consumer loan (Pocket)- Past due	Stage 2	126,776	1%	708
Consumer loan (Pocket)- Substandard	Stage 3	212,797	31%	66,743
Consumer loan (Pocket)- Doubtful	Stage 3	89,919	31%	28,203
Consumer loan (Pocket)- Loss	Stage 3	-	31%	-
Construction - Performing	Stage 1	22,909,941	2%	411,663
Construction - Past due	Stage 2	-	0%	-
Construction - Substandard	Stage 3	-	33%	-
Construction - Doubtful	Stage 3	10,856	33%	3,556
Construction -Loss	Stage 3	162,991	33%	53,389
Financial and insurance activities - Performing	Stage 1	6,250,142	0%	226
Financial and insurance activities - Past due	Stage 2	-	0%	-
Financial and insurance activities - Doubtful	Stage 3	-	13%	-

16. Loans to customers-net (continued)

Table 4- Expected credit loss from impairment of loan receivable(continued):

Loan classification	Collective assessment	Loan portfolio MNT'000	ECL rate %	ECL MNT'000
Financial and insurance activities - Doubtful	Stage 3	-	13%	-
Financial and insurance activities - Loss	Stage 3	-	13%	-
Wholesale and retail - Performing	Stage 1	5,896,100	4%	208,619
Wholesale and retail - Doubtful	Stage 3	152,145	45%	68,164
Wholesale and retail - Loss	Stage 3	373,813	45%	167,476
Business - Performing	Stage 1	1,695,181	-	-
Business - Past due	Stage 2	-	-	-
Business - Substandard	Stage 3	-	-	-
Business - Doubtful	Stage 3	-	-	-
Business - Loss	Stage 3	-	-	-
Others - Performing	Stage 1	8,948,807	1%	51,860
Others - Past due	Stage 2	-	6%	-
Others- Substandard	Stage 3	35,000	37%	12,856
Others- Doubtful	Stage 3	-	37%	-
Others - Loss	Stage 3	129,206	37%	47,459
Interest accruals on balance sheet from off-balance sheet items [(1)]		510,287	45%	228,609
Total loan balance and expected loss reserves		**95,879,357**		**2,563,568**

[(1)]- Table 5 shows the percentage of the expected loss on stage 3 of interest receivables added from off-balance sheet.

16. Loans to customers-net (continued)

Table 5- The movement in loans to customers presented as their carrying amount is as follows:

	Business loans	Consumer loans	Car loans	Credit loans	Micro loans	Total
1 January 2019	18,335,825	1,976,433	14,298,784	257,244	-	**34,868,286**
Issued for the reporting period	35,314,579	15,601,196	31,942,665	300,000	-	**83,158,440**
Repayment of loans	(28,582,314)	(5,714,804)	(21,330,393)	(97,986)	-	**(55,725,497)**
31 December 2019	**25,068,090**	**11,862,825**	**24,911,056**	**459,258**	**-**	**62,301,229**
Issued for the reporting period	41,085,351	16,516,038	30,648,294	-	9,974,526	**98,224,209**
Repayment of loans	(28,406,935)	(12,576,128)	(26,082,760)	(229,076)	(425,039)	**(67,719,938)**
Interests accrued (off-balance sheet interest receivables) [(1)]	202,757	242,731	64,800	-	-	**510,288**
31 December 2020	**37,949,263**	**16,045,466**	**29,541,389**	**230,182**	**9,549,487**	**93,315,788**

[(1)] - Article 3.2 of the Financial Regulatory Commission's Resolution No. 5 of 31 January 2008 "Guidelines for Accounting for Non-Bank Financial Institutions" states that any interest or repayment of principal is overdue for more than 90 days, the accrual of interest should be ceased from the 91st day and will be recorded as off-balance sheet items. Under this provision, the principal and off-balance sheet accrued interest represent the amount of a financial asset in stage 3 where the value of the financial asset has decreased in accordance with IFRS 9 in accordance with the Company's policy. In accordance with IFRS 9, the financial assets classified in Stage 3 provides for the recognition of impairment losses and the recognition of interest on the net amount. Accordingly, the amount of interest income accrued from the net amount less the loan loss is accrued from off- balance sheet. *See **Table 6** for details on each **stage**.*

16. Loans to customers-net (continued)

Table 6- Movement between levels of provision for loan impairment shown by classification of loans to customers is as follows:

(i) Loan receivables	Stage 1 MNT'000	Stage 2 MNT'000	Stage 3 MNT'000	Total MNT'000
At 1 January	**60,648,995**	**1,324,298**	**1,633,087**	**63,606,380**
Provided for the year	98,224,209	-	-	98,224,209
Collected	(66,337,550)	(834,342)	1,220,658	(65,951,234)
Movement – to Stage 1	(1,140,407)	(283,920)	1,424,327	-
Movement – to Stage 2	(183,623)	183,623	-	-
Movement – to Stage 3	1,159,241	(200,631)	(958,610)	-
At 31 December	**92,370,866**	**189,029**	**3,319,461**	**95,879,356**
(ii) Allowance for loan receivable impairment	**Stage 1 MNT'000**	**Stage 2 MNT'000**	**Stage 3 MNT'000**	**Total MNT'000**
At 1 January	**(1,148,988)**	**(52,528)**	**(103,635)**	**(1,305,151)**
Increase during the year	(338,899)	50,781	(2,043,180)	(2,331,298)
Deducted during the reporting period	-	-	1,186,407	1,186,407
Loan loss provision	(133,840)	-	-	(133,840)
Written off	-	-	20,314	20,314
At 31 December	**(1,621,727)**	**(1,747)**	**(940,094)**	**(2,563,568)**
(iii) Total net loans				
At 31 December 2019	**59,500,007**	**1,271,771**	**1,529,452**	**62,301,229**
At 31 December 2020	**90,749,139**	**187,282**	**2,379,367**	**93,315,788**

Table 7 for details of the collateral information for each Company of loan.

16. Loans to customers-net (continued)

The Company enters into collateral and fiduciary agreements with customers in accordance with the loan policy. The loan collateral and the right to own the property are recorded off-balance sheet, and the Company has the right to sell or re-pledge it if the customer fails to fulfil obligations.

Table7- Collateral valuation for each level of loans provided to customers (by valuation at the time of lending)

	Stage	Stage 1 MNT'000	Stage	Stage 2 MNT'000	Stage	Stage 3 MNT'000	Total MNT'000
Type of collateral							
Immoveable- Apartment	326	38,390,259	-	-	19	468,000	38,858,278
Moveable assets - Car	3,847	77,183,835	-	-	31	677,919	77,861,785
Electronics	6,804	10,845,004	44	85,954.00	466	1,090,678	12,022,146
Immoveable - Land	192	7,768,660	-	-	12	335,000	8,103,672
Factory	2	992,500	-	-	-	-	992,500
Machine and equipment	37	1,255,500	-	-	1	50,000	1,305,501
Office building	36	11,876,715	-	-	1	170,000	12,046,716
Shares	2	24,100,000	-	-	-	-	24,100,000
Mobile number	72	2,082,319	-	-	-	-	2,082,319
Others	689	2,155,559	-	-	55	75,426	2,231,040
Total	**12,007**	**176,650,351**	**44**	**85,954**	**585**	**2,867,023**	**179,603,957**

The agreement specifies the use of the collateral and the terms.

16. Loans to customers-net (continued)

Table 8- Loan and interest receivables are classified by currency:

	31 December 2020			
	MNT	**USD**	**JPY**	**Total**
	MNT'000	**MNT'000**	**MNT'000**	**MNT'000**
Loan receivables	79,748,689	9,853,059	3,232,253	92,834,001
Accrued interest receivables	2,818,747	173,518	53,089	3,045,354
Total loan receivables	**82,567,436**	**10,026,577**	**3,285,342**	**95,879,355**
Less: Allowance for loan impairment				(2,563,567)
Total net loans				**93,315,788**

	31 December 2019			
	MNT	**USD**	**JPY**	**Total**
	MNT'000	**MNT'000**	**MNT'000**	**MNT'000**
Loan receivables	50,611,412	8,360,971	2,971,438	61,943,821
Accrued interest receivables	1,537,276	115,308	9,975	1,662,559
Total loan receivables	**52,148,688**	**8,476,279**	**2,981,413**	**63,606,380**
Less: Allowance for loan impairment				(1,305,151)
Total net loans				**62,301,229**

17. Other financial assets- net

	31 December 2020 MNT'000	31 December 2019 MNT'000
Receivables from borrower	665,300	123,240
Other receivables	357,513	976,804
Receivables from related parties	833,943	1,127,565
Less: Provision for impairment (1)	(334,494)	-
Total other financial assets	**1,522,262**	**2,227,609**

(1)- Movement of provision for impairment of other receivables is as follows:

	2020 MNT'000	2019 MNT'000
Balance at 01 January	**-**	**-**
Provided for the year	(334,494)	-
Balance at 31 December	**(334,494)**	**-**

18. Other non-financial assets

	31 December 2020 MNT'000	31 December 2019 MNT'000
Prepayments (1)	204,495	983,207
Repossessed collateral-net	120,163	321,850
Lease receivables	4,000	20,682
Inventory	54,634	9,125
Total amount	**383,292**	**1,334,864**

19. Repossessed collateral

Repossessed collateral consists of non-current assets available for sale and will not be used in NBFI's activities:

	31 December 2020 MNT'000	31 December 2019 MNT'000
Real estate (buildings)	1,315,438	1,345,404
Less: Provision for impairment	(493,546)	(289,828)
Net Other Real Estate Owned	**821,892**	**1,055,576**

[(1)]- This amount represents the amount of risk fund estimated in accordance with the Financial Regulatory Commission's regulation on "Classification of assets and establishment and disbursement of risk fund".

Movement in carrying amount of repossessed collaterals:

The Company's management plans to sell the following repossessed collateral through the Company's special assets within one year.

Cost	31 December 2020 MNT'000	31 December 2019 MNT'000
Balance at 01 January	**1,345,404**	**439,509**
Additions [(1)]	930,643	1,754,371
Disposals [(2)]	(960,609)	(848,476)
Balance at 31 December	**1,315,438**	**1,345,404**
Less: Provision for impairment	(493,546)	(289,828)
Net repossessed collateral	**821,892**	**1,055,576**

[(1)]- This amount means that the borrower is unable to repay the principal and interest of the loan in accordance with the repayment schedule specified in the agreement.

20. Property, plant and equipment

(i) Cost or valuation	Buildings MNT'000	Furnitures and fixtures MNT'000	Motor vehicles MNT'000	Computers and its accessories MNT'000	Construction in progress (1) MNT'000	Total MNT'000
At 1 January 2019	**18,491**	**194,604**	**14,040**	**122,082**	**-**	**349,217**
Additions	240,000	150,403	30,206	171,589	4,168,849	4,761,047
Disposal	-	(367)	-	-	-	(367)
Write-offs	-	(30,206)	-	-	-	(30,206)
Re-classification	-	-	1,244	(1,244)	-	-
At 31 December 2019	**258,491**	**314,434**	**45,490**	**292,427**	**4,168,849**	**5,079,691**
Additions	194,379	127,000	-	299,112	-	620,491
Disposal	(240,000)	(25,004)	-	(30,786)	-	(295,790)
At 31 December 2020	**212,870**	**416,430**	**45,490**	**560,752**	**4,168,849**	**5,404,392**
(ii) Accumulated depreciation						
At 1 January 2019	**(597)**	**(7,665)**	**(2,462)**	**(35,477)**	**-**	**(46,201)**
Depreciation charge	(1,449)	(24,786)	(1,404)	(63,014)	-	(90,653)
Reclassification	-	521	(521)	-	-	-
At 31 December 2019	**(2,046)**	**(31,930)**	**(4,387)**	**(98,491)**	**-**	**(136,854)**
Depreciation charge	(10,393)	(35,948)	(4,549)	(132,752)	-	(183,642)
Reclassification	-	285	-	3,976	-	4,261
At 31 December 2020	**(12,439)**	**(67,593)**	**(8,936)**	**(227,267)**	**-**	**(316,235)**
***(iii)* Net book value**						
At 1 January 2019	**17,894**	**186,939**	**11,578**	**86,605**	**-**	**303,016**
At 31 December 2019	**256,445**	**282,504**	**41,103**	**193,936**	**4,168,849**	**4,942,837**
At 31 December 2020	**200,431**	**348,837**	**36,554**	**333,485**	**4,168,849**	**5,088,157**

There is no collateral or guarantees placed in the Company's fixed assets.

20. Property, plant and equipment(continued)

(1)- The carrying amount of construction-in-progress represents the value of the Company's new office building currently under construction. The building will be depreciated once the property is fully constructed and ready for use. The Company owns office space when the construction began. The building is not yet complete and is scheduled to open in 2021. Additional renovation and decoration costs are planned for office use at the time of commissioning.

21. Right-of- use asset

Nature of leasing activities (in the capacity as lessee)

The Company also leases certain items of property, plant and equipment. Some leases have a fixed rate of increase in line with annual inflation or a regular update based on market rental rates. The amount of rent for some real estate is fixed during the lease period.
The percentages in the table below reflect the current proportions of lease payments that are either fixed or variable. The sensitivity reflects the impact on the carrying amount of lease liabilities and right-of-use assets if there was an uplift of 5% on the balance sheet date to lease payments that are variable.

At 31 December 2020	Lease agreement number	Fixed rate	Variable rate	Sensitivity
		%	%	MNT'000
Real estate leases increase in market price				
Avtotsogtsolbor - Lease 2	n/a	1.39%	0%	-
Dunjingarav -Lease 1	n/a	2.08%	0%	280
Da Khuree	n/a	2.24%	0%	-
Tumur zam - Lease 2	№2020040501	2.62%	0%	1,835
Zuun ail	n/a	5.39%	0%	97
Real estate leases with fixed rate				
Avtotsogtsolbor - Lease 1	n/a	0.35%	0%	-
Avtotsogtsolbor - Lease 3	№RO-201101-001	1.00%	0%	996
Narantuul - Lease 2	№19121801	1.60%	0%	1,593
Bayanzurkh	№RO-200424-001	1.94%	0%	202
Dunjingarav - Lease 2	№20/	3.67%	0%	720
Erdenet	n/a	3.89%	0%	335
Tumur zam- Lease 1	n/a	4.58%	0%	-
Narantuulr - Lease 1	№19121802	6.09%	0%	-
Tengis	№190228/01	6.92%	0%	247
Head office 15th floor	№2020040501	10.37%	0%	-
Shangrila	№0-709-19-IC	15.13%	0%	2,878
Head office	№2020040501	30.74%	0%	9,042
Total		**100.00%**	**0.00%**	**18,225**

21. Right-of- use asset(continued)

Right-of- use asset

	Office building MNT'000	Lease improvement MNT'000	Total MNT'000
(i) *Cost*			
At 1 January 2019	**613,846**	**203,739**	**817,585**
Additions	586,351	464,623	1,050,974
At 31 December 2019	**1,200,197**	**668,362**	**1,868,559**
Additions	253,281	170,389	423,670
Disposal at the end of the reporting period [2]	(95,047)	(41,171)	(136,218)
Impact of changes in lease term [3]	(657,834)	(106,974)	(764,808)
At 31 December 2020	**700,597**	**690,606**	**1,391,203**
(ii) *Accumulated depreciation*			
At 1 January 2019	**-**	**(6,692)**	**(6,692)**
Additions	(255,282)	(112,449)	(367,731)
Deductions	-	-	-
At 31 December 2019	**(255,282)**	**(119,141)**	**(374,423)**
Amortization [1]	(369,165)	(308,123)	(677,288)
Disposal at the end of the lease term [(2]	88,196	34,031	122,227
Impact of changes in lease term [3]	162,420	16,868	179,288
At 31 December 2020	**(373,831)**	**(376,365)**	**(750,196)**
(iii) Net book value			
At 1 January 2019	**613,846**	**197,047**	**810,893**
At 31 December 2019	**944,915**	**549,221**	**1,494,136**
At 31 December 2020	**326,766**	**314,241**	**641,007**

[1] - This amount is the amortized cost of the asset for the reporting period and represents the depreciation expense in the General and administrative expense in the statement of profit, loss and other comprehensive income.

[2]- This amount is the right to use assets and the accumulated depreciation is written off at the end of lease term.

[3]- Lease payments during the reporting period reflect changes in lease terms and payments due to inflation and other economic factors.

21. Right-of- use asset(continued)

Lease liabilities

	31 December 2020 MNT'000	31 December 2019 MNT'000
At 1 January 2020	**1,007,653**	**613,846**
Additions	253,280	586,351
Interest expense	99,123	120,367
Impact of changes in lease term	(560,991)	-
Lease payment discount	(1,421)	-
Lease payment	(430,713)	(312,912)
Foreign exchange difference	1,410	-
At 31 December 2020*	**368,341**	**1,007,652**

*- Lease liabilities are reported at net book value in Note 29,*Other non-financial liabilities*.

Practical expedient

Rent concessions

Due to the new circumstances arising as a consequence of COVID19, the Company has received rent concessions from lessors:

- Lease concession (such as a reduction in rent under the terms of the lease)

As noted in Note 3, the Company has chosen to apply the exemption from the amendment to IFRS 16 to all lease discounts that meet the criteria. Almost all year-round lease discounts qualify for practical exemptions.

The application of the practical expedient has resulted in the reduction of total lease liabilities of MNT 1,421 thousand. The effect of this reduction has been recorded in profit or loss in the period in which the event or condition that triggers those payments occurred.

22. Intangible asset

(i) Cost	Software	Total
	MNT'000	MNT'000
At 1 January 2019	**119,832**	**119,832**
Internally developed	417,174	417,174
Reclassified	25,000	25,000
At 31 December 2019	**562,006**	**562,006**
Internally developed	1,685,953	1,685,953
Reclassified	649,771	649,771
At 31 December 2020	**2,897,730**	**2,897,730**
(ii) Accumulated amortization and impairment		
At 1 January 2019	**(1,662)**	**(1,662)**
Accumulated amortization	(23,725)	(23,725)
At 31 December 2019	**(25,387)**	**(25,387)**
Internally developed	(69,960)	(69,960)
Reclassified	(8,648)	(8,648)
At 31 December 2020	**(103,995)**	**(103,995)**
(iii) Net book value		
At 1 January 2019	**118,170**	**118,170**
At 31 December 2019	**536,619**	**536,619**
At 31 December 2020	**2,793,735**	**2,793,735**

23. Investment

	31 December 2020	31 December 2019
	MNT'000	MNT'000
Investments in subsidiaries-Table 1	5,803,355	3,989,710
Investment in debt securities - Table 2	591,122	-
Total	**6,394,477**	**3,989,710**

23. Investment (continued)

Table 1- Information on subsidiaries of "Invescore NBFI" JSC is shown below:

		31 December 2020			31 December 2019		
Name of the companies	**Main operation**	**Ownership**	**Number of shares**	**Total investment**	**Ownership**	**Number of shares**	**Total investment**
		%	**unit**	**MNT'000**	**%**	**unit**	**MNT'000**
"Invescore Pocket NBFI LLC [1]		100%	2,500,000	2,500,000	100%	2,500,000	2,500,000
"Invescore Kyrgyz" LLC [2]	БNBFI operation	100%	59,000,000	2,892,898	0%	-	-
"Pocket Kyrgyz"LLC [3]		100%	10,000,000	363,580	0%	-	-
"Invescore Active" SPS [4]	Special purpose company	75%	46,875	46,875	0%	-	-
"Invescore Japan LLC [5]	Consulting services	0%	-	-	100%	610	1,489,620
"Invescore AI Lab" LLC [5]	Software development	0%	-	-	90%	90	90
Total investment in an associate				**5,803,353**			**3,989,710**
Impairment loss				-			-
Investment in an associate - net				**5,803,353**			**3,989,710**

[1]- This amount represents the carrying amount of MNT 2,500,000 thousand invested in share capital of "Invescore Pocket" LLC, incorporated in accordance with the Resolution No.A/16-T of the Board of Directors of "Invescore NBFI" JSC dated 2 May 2019, which is accounted for at cost.

23. Investment (continued)

(2) The Company decided to acquire "Golden Standard" LLC registered in the Kyrgyz Republic by the Resolution No.-A /44-T of the Board of Directors dated 20 December 2019 and signed purchase & sale agreement with Nikishkin Andrei Vladimirovich on 14 January 2020. The acquisition was carried out in accordance with the terms of the agreement and on 8 April 2020, it was registered with the Ministry of Justice of the Kyrgyz Republic and received registration number 50642-3300-OOO and taxpayer number 2301200410114 with certificate No.0042564. The company was licensed by the Central Bank of Kyrgyzstan on 26 November 2008 to conduct lending activities.

(3) Pursuant to the Board of Directors' approval No.A/18-T dated 23 June 2020 to establish a subsidiary, the Executive Director's decision No.1/2020 to establish a subsidiary was issued on 1 July 2020. The subsidiary was registered with the Ministry of Justice of the Kyrgyz Republic on 28 July 2020 and received the registration number of the company No.191720-3300-OOO and the taxpayer number number 02807202010084 with the certificate number No.0061839. The company was established to operate through information technology, electronic payment, payment acceptance and other communication services. The main operations have not started in the reporting year and the process of obtaining a loan service license using the relevant application is underway.

(4) Invescore Active SPS LLC was registered with the State Registry on 7 June 2020 and received a certificate No.119011818840 and a certificate No.6581463 in accordance with the founding decision No.1 of the founder dated 29 May 2020. The company was established for the purpose of conducting "Asset-backed securities issuance activities" and is 75% owned by Invescore NBFI JSC and the remaining 25% by Micro Credit NBFI LLC. In the agreement signed with Invescore NBFI on 28 September 2020, the first creditor, Invescore NBFI JSC, transferred its car loan portfolio to the issuer and issued general purpose securities up to MNT3 billion to raise funds.

(5) The Board of Directors No.A /22-T on 26 August 2020 decided to sell the shares of Invescore Japan LLC and Invescore AI Lab LLC and approved the valuation of the shares of No.A/ 25-T subsidiary of the Board of Directors on 27 September 2020, 99.84% of Invescore Japan LLC or 610 shares owned by the company for 100,000 yen each, for a total of 61,000,000 yen; 90% of the total shares issued by Invescore AI Lab LLC or 90 shares owned by the Company were sold for MNT 266,514 each, for a total of MNT 23,953,860.

23. Investment (continued)

Table 2- The Company has purchased 2,300 bonds issued by Mongolian Mortgage Corporation on 30 March 2020 under the name MGMTGE9.75% 01/29/22 and code USY6142GAA14 with a par value of MNT 100 for a discounted price MNT 81 per bond.

The Company's management has measured and reported this investment at amortized cost.

	31 December 2020
	MNT'000
Nominal value of bonds	638,349
Discount	(118,095)
Purchase price	**520,254**
Discount amortization	44,506
Accumulated interest receivables	26,362
Amount at amortized cost	**591,122**

24. Trust service liabilities

Classification of trust service liabilities:

	31 December 2020	**31 December 2019**
	MNT'000	**MNT'000**
Individuals	35,991,377	11,843,127
Total trusts received from individuals	**35,991,377**	**11,843,127**
Entities	3,442,584	6,064,666
Entities - Related parties	740,833	1,073,352
Total trusts received from entities	**4,183,417**	**7,138,018**
Interest payables	2,034,717	952,655
Total trust service liabilities	**42,209,511**	**19,933,800**

Trust service liabilities represent the amount of fund raised by trust services with an interest rate of 0.2%-3.2% per month, and for a period of up to 5 years for individuals and entities.

24. Trust service liabilities (continued)

The Company's trust service liabilities denominated in original currency are as follows:

Currency	Annual interest rate	31 December 2020	31 December 2019
		MNT'000	MNT'000
MNT	**13.6% - 38.8%**	27,981,045	11,604,650
USD	**4% - 10.5%**	12,456,223	6,136,856
JPY	**7% - 9%**	1,772,243	2,192,294
Total trust service liabilities		**42,209,511**	**19,933,800**

25. Borrowings from bank and financial institutions

The book value and amortised cost of loans and borrowings are as follows:

	31 December 2020		31 December 2019	
	Nominal value	Amortised cost	Amortised cost	Nominal value
	MNT'000	MNT'000	MNT'000	MNT'000
Long-term				
Loans from related parties [(1)]	9,574,323	9,574,323	9,574,323	9,574,323
Loans from other bank and financial institution [(2)]	3,516,018	3,516,018	-	-
Loans interest payables	654,766	654,766	3,982,394	3,982,394
Total long-term loans and interest payables	**13,745,107**	**13,745,107**	**13,556,717**	**13,556,717**
Short-term				
TDB-Savings-secured loans	-	-	500,000	500,000
TDB-Credit card financing loans [(3)]	230,182	230,182	459,259	459,259
Loans interest payables	124,911	124,911	-	-
Total short-term loans and interest payables	**355,093**	**355,093**	**959,259**	**959,259**
Short-term				
TDB-Savings-secured loans	**14,100,200**	**14,100,200**	**14,515,976**	**14,515,976**

[(1)]- Loan agreement No.082601 was made between "SIBJ Capital" LLC and "Invescore NBFI" JSC on 29 March 2017 in order to finance current assets of "Invescore NBFI" JSC for up to MNT 25 billion. Accordingly, when a source of credit is needed, a loan is requested from the investor. The loan expires on 30 March 2032 and bears interest at 19% per annum, with the condition of paying the principal at the end of the loan period.

25. Borrowings from bank and financial institutions (continued)

(2)- The Company has loans from the following financial institutions:

- According to the loan agreement No.FL20013001 signed with "Bridge Japan" LLC on 30 January 2020, the Company received a loan of JPY22.1 million at the interest rate of 9.5% per annum to finance its business activities for a total period of 3 years. The loan expires on 29 January 2023 and the interests accrued are repayable at the end of each year from the date of disbursement. The principal is repaid on the due date.

- According to the loan agreement No.FL200829001 signed with "Bridge Japan" LLC on 29 August 2020, the Company received a loan of USD 520,000 at the interest rate of 10% per annum to finance business activities for a total of 3 years. The loan expires on 29 January 2023 and the interests accrued are repayable at the end of each year from the date of disbursement. The principal is repaid on the due date.

- According to the loan agreement No.FL201030-001 concluded with "Bridge Japan" LLC on 30 October 2020, received USD 500,000 at 8.5% interest per annum to finance its business activities for a total period of 3 years. The loan expires on October 29 2023 and the interests accrued are repayable at the end of each year from the date of disbursement. The principal is repaid on the loan maturity date.

(3)- The Company received a loan to finance credit card services in accordance with the "Basic Loan Agreement" No.ZG/RCC171108030-2 signed with the Trade and Development Bank on 19 December 2017. The total loan amount is MNT 500 million and the principal interest rate is 1.9% per month and the default interest rate is 2.5%.

The principal of the loan is broken down by lenders and interest rate:

	Currency	Annual interest rate %	31 December 2020 MNT'000	31 December 2020 MNT'000
"SIBJ Capital" LLC	MNT	20%	9,574,323	9,574,323
"Bridge Japan" LLC	JPY	9.5%	609,518	-
"Bridge Japan" LLC	USD	10%	1,481,745	-
"Bridge Japan" LLC	USD	9%	1,424,755	-
TDB - Credit card loan (1)	MNT	23%	230,182	459,259
TDB - Savings-secured loan	MNT	17%	-	500,000
Total			**13,320,523**	**10,533,582**

(1) - An integral part of the loan agreement, No.3B-RCC171108090-2-8, No.3B -RCC180416040-2-9; No.3B - RCC180416040-2-10; No.3B -RCC180416040-2-12; No.3B -RCC180416040-2-13; No.3B-RCC180416040-2-14 in accordance with the "Pledge agreement on movable and immovable property" owned by the parent company (SIBG Capital LLC), Sukhbaatar district, 9th khoroo, 7th district / 14182 /, Altai Street, Building 281, Room 605 (42.36 m2); Room 806 (68.79 m2); No. 610 (62.97 m2); Room 1007 (78.11 m2); Room 1808 (51.28 m2); Room 1803 (34.96 m2); Room 1804 (55.54 m2); Room 1802 (67.38 m2); Office building No. 1805 (51.76 m2) and current account No. 413014834, 413014721, 432001123, 413015077 of the Trade and Development Bank were pledged.

25. Borrowings from bank and financial institutions (continued)

(i) Principal loan	"SIBJ Capital" LLC	"Bridge Japan" LLC /JPY/	"Bridge Japan" LLC	"Bridge Japan" LLC	TDB - Credit card loan	TDB - Savings-secured loan	TDB - Line of credit	Total
	MNT'000	MNT'000	MNT'000	MNT'000	MNT'000	MNT'000	MNT'000	MNT'000
At 1 January 2019	**9,974,323**	**-**	**-**	**-**	**257,244**	**-**	**1,500,000**	**10,231,567**
Additions	-	-	-	-	202,015	2,240,000	100,000	**2,542,015**
Repaid	(400,000)	-	-	-	-	(1,740,000)	(1,600,000)	**(3,740,000)**
At 31 December 2019	**9,574,323**	**-**	**-**	**-**	**459,259**	**500,000**	**-**	**10,533,582**
Additions	**-**	**609,518**	**1,481,745**	**1,424,755**	**9,132**	**-**	**9,982,000**	13,507,150
Repaid	**-**	**-**	**-**	**-**	**(238,209)**	**(500,000)**	**(9,982,000)**	(10,720,209)
At 31 December 2020	**9,574,323**	**609,518**	**1,481,745**	**1,424,755**	**230,183**	**-**	**-**	**13,320,523**
(ii) Accrued interest payables								
At 1 January 2019	**2,135,879**	**-**	**-**	**-**	**-**	**-**	**-**	**2,135,879**
Additions	**1,846,515**	**-**	**-**	**-**	**4,391**	**10,030**	**126,565**	1,987,501
Repaid	**-**	**-**	**-**	**-**	**(4,391)**	**(10,030)**	**(126,565)**	(140,986)
At 31 December 2019	**3,982,395**	**-**	**-**	**-**	**-**	**-**	**-**	**3,982,394**
Additions	**1,819,122**	**53,462**	**50,745**	**20,704**	**6,730**	**4,373**	**95,983**	2,051,119
Interest paid in cash	**(3,070,000)**	**-**	**-**	**-**	**(6,730)**	**(4,373)**	**(95,983)**	(3,177,086)
Repaid	**(2,076,750)**	**-**	**-**	**-**	**-**	**-**	**-**	(2,076,750)
At 31 December 2020	**654,766**	**53,462**	**50,745**	**20,704**	**-**	**-**	**-**	**779,677**
(iii) Amortized cost								
At 1 January 2019	**12,110,202**	**-**	**-**	**-**	**257,244**	**-**	**1,500,000**	**13,867,446**
At 31 December 2019	**13,556,717**	**-**	**-**	**-**	**459,259**	**500,000**	**-**	**14,515,976**
At 31 December 2020	**10,229,089**	**662,980**	**1,532,490**	**1,445,459**	**230,182**	**-**	**-**	**14,100,200**

25. Borrowings from bank and financial institutions (continued)

2020	Floating interest MNT'000	Fixed interest MNT'000
Expires within 1 year	-	230,182
Expires in 1-2 years	-	-
Expires in more than 2 years	-	13,870,018
Total amount	**-**	**14,100,200**
2019		
Expires within 1 year	-	500,000
Expires in 1-2 years	-	459,259
Expires in more than 2 years	-	13,556,717
Total amount	**-**	**14,515,976**

26. Other source

The trust service customer with the contract number T20020092401M placed a trust of MNT10 billion on 24 September 2020 for a period of 6 months, however, on 31 December 2020, an early withdrawal request was submitted. At the request of the client, the interest accrual was suspended and recorded as payables to customers.

The trust customer with the contract number T20020090703U placed a trust of $ 1 million on 7 September 2020. The trust expired on 31 December 2020 and the interest accrual was suspended and recorded as payables to customers.

27. Bond liabilities

The company received permission to issue MNT10 billion worth of closed bonds by the resolution No.85 of Financial Regulatory Commission dated 28 February 2020. A total of MNT 8.2 billion worth of bonds were traded by TDB Capital SPC on the Mongolian Stock Exchange. "Invescore Bond" has 4 term options: 6 months, 12 months, 18 months and 24 months, and the interest rate of the bond is between 15% and 19% depending on the order price and term. The last tranche will be paid on 7 October 2022.

	Duration and interest rate ranges				**Total**
Interest rate	6 months	**MNT'000**	18 months	24 months	**MNT'000**
15.0%	87,000	-	-	-	**87,000**
17.0%	-	3,751,000	-	-	**3,751,000**
17.5%	-	-	-	2,148,000	**2,148,000**
18.0%	-	-	25,000	-	**25,000**
18.5%	-	500,000	-	-	**500,000**
19.0%	-	-	-	1,370,000	**1,370,000**
	87,000	**4,251,000**	**25,000**	**3,518,000**	**7,881,000**

27. Bond liabilities(continued)

	At 31 Dec 2020 MNT'000	Total MNT'000
(i) Principal payment of bonds issued by NBFI		
At 31 December 2019	-	-
Bonds issued	8,200,000	8,200,000
Repaid	(319,000)	(319,000)
At 31 December 2020	**7,881,000**	**7,881,000**
(ii) Interest payables on bonds issued by NBFI		
At 31 December 2019	-	-
Interest charges	598,742	598,742
Repaid	(414,176)	(414,176)
At 31 December 2020	**184,566**	**184,566**
(iii) Bond issuance fee		
At 31 December 2019	-	-
Additions	(272,603)	(272,603)
Realization	85,923	85,923
At 31 December 2020	**(186,680)**	**(186,680)**
Bond liabilities at amortized cost	**7,878,886**	**7,878,886**

28. Other finance liabilities

	At 31 December 2020 MNT'000	At 31 December 2019 MNT'000
Other financial liabilities	625,646	305,537
Payables to related parties [1]	3,612,153	2,790,778
Other payables to deposit account	337,084	276,394
Other payables	38,729	23,745
Total	**4,613,612**	**3,396,454**

[1]- Payables to related parties

Amount due to the related parties	At 31 December 2020 MNT'000	At 31 December 2019 MNT'000
Invescore Pocket NBFI LLC	3,177,561	2,400,429
SIBJ Holding LLC	-	108,810
Invescore AI Lab LLC	431,367	-
Invescore Holding LLC	-	251,900
Invescore Capital SPC	3,225	29,639
Total payables to related parties	**3,612,153**	**2,790,778**

29. Other non-financial liabilities

	At 31 December 2020 MNT'000	At 31 December 2019 MNT'000
Salary payable	14,783	374,943
PIT payable	19,218	3,808
SHI payable	102	2,237
Withholding tax payable	94,386	42,384
Lease liability (Note 21)	368,341	1,007,652
Lease payable	19,597	-
Other payables	79,126	66,889
Prepaid income	22,358	-
Total	**617,911**	**1,497,913**

30. Reserves from tax uncertainty

(i) Tax contingencies and claims

Mongolian tax, currency, and customs legislation is subject to varying interpretations, and some articles of the Mongolian tax legislation does not provide definitive guidance in certain areas. In addition, the Mongolian tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged by tax authorities. As a result, significant additional taxes, penalties, and interest may be imposed. However, management of the Company believes that there were no events and conditions to occur contingent losses and contingent commitments and liabilities, the impact of any challenge by the tax authorities cannot be reliably estimated.

This reserves from tax uncertainty represents the amount of tax risk arising from changes in the nominal value of shares referred in Note 31. The nominal value of share price increased by MNT 127 per share and distributed from retained earnings of the previous periods, in accordance with the Shareholders' decision No. A/01 of 31 January 2019. As a result of this transaction, the nominal value of total shares held by "SIBG Capital" LLC was increased, however no related taxes were withheld and reported. Under the law that was effective during the transaction, the amount of increase in value of shares would be taxed at rate of dividend income, therefore, the amount is recognized and reported as a contingent liability due to the risk of tax on dividends.

31. Share capital

	Ordinary shares issued and fully paid			
	2020		2019	
	Number of shares	Share capital MNT'000	Number of shares	Share capital MNT'000
Ordinary shares				
At 1 January	**71,727,918**	**16,282,237**	**60,968,730**	**6,096,873**
Issued during the year *	-	-	10,759,188	2,442,335
Changes in nominal value	-	-	-	7,743,029
At 31 December	**71,727,918**	**16,282,237**	**71,727,918**	**16,282,237**

As of 31 December 2020, the Company's share capital consists of 71,727,918 ordinary shares with a par value of MNT 227 each (2019: 71,727,918 shares with a par value of MNT 227).

The table below shows the shareholders' information of the consolidating company:

Name of shareholders	Affiliation	31 December 2020		31 December 2019	
		Ownership %	Share capital MNT'000	Ownership %	Share capital MNT'000
"SIBJ Capital" LLC	Mongolia	85%	13,839,902	85%	13,839,902
Other	Mongolia	15%	2,442,335	15%	2,442,335
		100%	**16,282,237**	**100%**	**16,282,237**

32. Share premium

This amount is the difference between the nominal value of MNT 227 and the market price, total number of 10,759,188 shares.

The shares were traded on the primary market for between MNT 1,600 and MNT 1,700, depending on the quantity purchased.

33. Related party transactions

(i) 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:

Name of subsidiaries	Affiliation	Interdependence	The main types of transactions
SIBJ Capital LLC	Mongolia	Parent company	Borrowings,intercompany transactions
Munkh-Ochir.B	Mongolia	Shareholder of the parent company	N/a
T.Kawazoe	Japan	Shareholder of the parent company	Borrowings
Ankhbold.B	Mongolia	Chairman of the Board	Wages and salaries
Munkhtur.R	Mongolia	Independent member of BOD	Wages and salaries
Uyangakhishig.G	Mongolia	Independent member of BOD	Wages and salaries
Telmen.T	Mongolia	Independent member of BOD	Wages and salaries
Enkhbat.D	Mongolia	Independent member of BOD	Wages and salaries
Unurjargal.Ch	Mongolia	Independent member of BOD	Wages and salaries
Khashchuluun.Ch	Mongolia	Independent member of BOD	Wages and salaries
Namiki Hirohito	Japan	Independent member of BOD	Wages and salaries
Bayasgalan.D	Mongolia	CEO, Independent member of BOD	Wages and salaries
Amgalanbaatar.Kh	Mongolia	Deputy director	Wages and salaries
"Invescore Leasing" LLC	Mongolia	Fellow subsidiary	Intercompany transactions
"Invescore Capital" LLC	Mongolia	Fellow subsidiary	Intercompany transactions
"Invescore Fund" LLC	Mongolia	Fellow subsidiary	Intercompany transactions
"Invescore Property" LLC	Mongolia	Fellow subsidiary	Intercompany transactions
"Invescore Japan" LLC	Mongolia	Fellow subsidiary	Intercompany transactions
"Invescore AI Lab" LLC	Mongolia	Fellow subsidiary	System development
"Colo Thinking" LLC	Mongolia	Fellow subsidiary	Design development
SIBJ Capital LLC	Mongolia	Parent company	Borrowings,intercompany transactions
Munkh-Ochir.B	Mongolia	Shareholder of the parent company	N/a
T.Kawazoe	Japan	Shareholder of the parent company	Borrowings
Ankhbold.B	Mongolia	Chairman of the Board	Wages and salaries

33. Related party transactions (continued)

(ii) Transactions with related parties

The transactions with related parties for the year ended 31 December 2020 and 2019 were as follows:

	Shareholders		Other related parties	
	2020	**2019**	**2020**	**2019**
	MNT'000	MNT'000	MNT'000	MNT'000
Interest income	-	-	1,630,962	614,706
Brokerage income	1,489,710	-		1,221,500
Interest expense	(1,819,121)	(1,846,516)	(132,478)	(47,863)
Purchase of intangibles	-	-	(990,378)	(374,947)
Loans received from related party			(3,303,355)	(3,989,620)
Loans repaid to related party	-	-	(9,870,029)	(2,501,261)
Interest income	(5,146,750)	-	-	(100,832)

Key management personnel compensation:

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including the Company's Chief Executive Officer, Deputy Chief Executive Officer, and Deputy Chief Financial Officer listed on Page 1.

Salaries, incentives and benefits of key management personnel is presented below:

	2020	**2019**
	Expenses	Expenses
	MNT'000	MNT'000
Short-term benefit:		
- Salaries	149,812	129,300
- Short-term incentives	9,695	30,300
- Other benefit	-	-
- SHI	7,284	16,163
	166,791	**175,763**

33. Related party transactions (continued)

(iii) Outstanding balances of transactions with related parties

At 31 December, the outstanding balances of transactions with related parties are follows:

	Notes	31 December 2020 MNT'000	31 December 2019 MNT'000
Amount due from related parties			
Invescore AI Lab LLC		2,480	2,252
Invescore Leasing LLC		7,160	1,000
Invescore Capital LLC		50,000	-
SIBJ Capital LLC		774,303	1,124,313
Total amount due from related parties	**17**	**833,943**	**1,127,565**
Advance payment to the related party			
Munkhtur.R		-	2,000
Amgalanbaatar.Kh		300	500
Ankhbold.B		753	836
Bayasgalan.D		1,578	4,000
Total advance payment to the related party		**2,631**	**7,336**

	Notes	31 December 2020 MNT'000	31 December 2019 MNT'000
Amount due to related parties			
SIBJ Holding LLC		-	108,810
Invescore Holding LLC		-	251,900
Invescore Capital LLC		3,225	29,639
Invescore AI Lab LLC		431,367	-
		3,177,561	2,400,429
Total amount due to related parties			
Amount due to related parties	**28**	**3,612,153**	**2,790,778**
Investment in related parties			
Invescore AI Lab LLC		-	90
Invescore Japan LLC		-	1,489,620
Invescore Active SPC		46,875	-
Pocket Kyrgyz LLC		363,580	-
Invescore Kyrgyz LLC		2,892,899	-
Invescore Pocket NBFI LLC		2,500,000	2,500,000
Total investment in related parties	**23**	**5,803,354**	**3,989,710**

33. Related party transactions (continued)

(iii) Outstanding balances of transactions with related parties

Loan and interest receivables

	Notes	31 December 2020		31 December 2019	
		Loan receivables MNT'000	Interest receivables MNT'000	Loan receivables MNT'000	Interest receivables MNT'000
Employees		-	-	191,564	2,649
Invescore Holding LLC		-	-	301,838	169
SIBJ Holding LLC		-	-	1,452,320	812
SIBJ Real Estates LLC		-	-	1,080,074	7,970
Pocket Kyrgyz LLC		128,228	3,398	-	-
T.Kawazoe		3,692,773	56,478	-	-
Total loan and interest receivables	**16**	**3,821,001**	**59,876**	**2,834,232**	**8,951**

	Notes	31 December 2020		31 December 2019	
		Trust service MNT'000	Interest payables MNT'000	Trust service MNT'000	Interest payables MNT'000
SIBJ Holding LLC		-	-	273,352	19,418
Investor Property Management LLC		100,000	9,419	800,000	47,863
Invescore Capital LLC		640,833	14,562	-	-
Total borrowings and liabilities	**24**	**740,833**	**23,981**	**1,073,352**	**67,281**
		Borrowings MNT'000	**Interest payables MNT'000**	**Borrowings MNT'000**	**Interest payables MNT'000**
SIBJ Capital LLC		9,574,323	654,766	9,574,323	3,982,394
Loans and liabilities to related parties	**25**	**9,574,323**	**654,766**	**9,574,323**	**3,982,394**

34. Contingent liabilities and commitments

From time to time and in the normal course of business, claims against the Company may be received. On the basis of its own estimates, management is of the opinion that no material losses will be incurred in respect of claims in excess of provisions that have been made in these financial statements.

(i) Obligation and guarantee of loans to customers

In order to meet the financial needs and requirements of its customers, the Company issues credit line. This means that the Company has a contractual obligation to open a credit line. The outstanding credit lines as of current and previous reporting date are as follows:

	31 December 2020 MNT'000	31 December 2019 MNT'000
Credit line	8,501,859	10,174,849
Balance of loans issued in the reporting period	(6,992,652)	(8,377,051)
Outstanding line of credit	**1,509,207**	**1,797,798**

35. Government grants

In order to prevent coronavirus infection and to overcome the economic difficulties, the Mongolian government exempted the private business entities and companies from social and health insurance for a period of 6 months between 01 April 2020 and 01 October 2020 and subsequently decreased the rate of social and health insurance by 6.5 percent from 1 October 2020 to 31 December 2020. A discount of MNT 278,913 thousand related to this grant has been deducted from expenses. The government's main requirement was to keep current number of employees and during the exemption period, the company did not lay-off any employees. The company does not have any unfulfilled obligations relating to this program.

36. Events after the reporting date

a. According to the Board Resolutions No.A/01-T and No.A/02-T dated 19 February 2021, the company requested a total of MNT 2,000,000,000 to finance working capital and new products to be jointly developed with Golomt Bank.

b. On 19 February 2021, the Board of Directors № A/03-T granted a 3-year credit line of USD 2,000,000 to its 100% subsidiary, Zolotoy Standard LLC (Invescore Kyrgyz).

c. According to the Board of Directors' Resolution No.A/04-T dated 19 February 2021, the company decided to distribute a dividend of MNT 1,219,374,606(One billion two hundred nineteen million three hundred seventy four thousand six hundred six) from its net profit for 2020 to the shareholders. The dividend to be paid to the shareholders of the company is set at MNT 17 per share.

d. Coronavirus infection (COVID 19), which occurred in January 2020, has been reported in 223 countries and regions worldwide and is a major blow to the health of the population as well as the economy. The company's business has also seen a slight decline in sales and a slowdown in the collection of receivables due to current situation, but the company does not currently have a significant impact on operations and shows no signs of significant impairment.

   The Company's management is assessing the impact of emergencies on the business on a case-by-case basis and to identify actions to be taken.

   Management believes that other events affecting those financial statements have not occurred since the end of the reporting period until the date the financial statements are permitted to be published.

37. Notes supporting statement of cash flows

For cash flow statement purposes, cash and cash equivalents consist of:

	31 December 2020 MNT'000	31 December 2019 MNT'000
Bank accounts and time savings (Note 15)	16,289,147	2,034,670
Short-term savings (Note 15)	9,003,000	2,405,498
Total cash and cash equivalents	**25,292,147**	**4,440,168**

37. Notes supporting statement of cash flows(continued)

Significant non-cash transactions from investing activities are as follows:

	2020 MNT'000	2019 MNT'000
Property, plant and equipment purchased but not yet paid at year end	-	4,408,849
Intangibles purchased but not yet paid at year end	299,525	-
Total	**299,525**	**4,408,849**

Non-cash transactions from financing activities are shown in the reconciliation of liabilities from financing transactions overleaf:

Trust service payable balance:	**2020 MNT'000**	**2019 MNT'000**
At 1 Jan 2020	**19,933,800**	**10,374,109**
Cash flows		
- Trusts received	42,972,955	17,660,744
- Trusts paid	(6,749,897)	(9,135,930)
- Interests paid	(2,393,945)	(1,079,985)
Non-cash flows:		
- Loans classified as due to customer	(15,799,071)	-
- Interest payables	(411,493)	-
- Accrued interest	4,105,333	2,084,890
- Effects of foreign exchange differences	551,829	252,337
- By receivables and payables	-	(222,366)
At 31 Dec 2020	**42,209,511**	**19,933,799**

Trust service payable balance:	**2020 MNT'000**	**2019 MNT'000**
At 1 Jan 2020	**14,515,976**	**13,867,446**
Cash flows		
- Trusts received	10,561,616	2,641,585
- Trusts paid	(10,720,209)	(3,740,000)
- Interests paid	(3,177,087)	(140,986)
Non-cash flows:		
- Accrued interest	2,051,118	1,987,502
- Effects of foreign exchange differences	(1,324)	-
- By receivables and payables	870,110	(99,571)
At 31 Dec 2020	**14,100,200**	**14,515,976**

38. Summary of significant and accounting policies

a. Revenue recognition

(i) Interest and similar income

Interest and similar income consist of interest income from loans to customers. Interest income of financial assets measured at amortized cost is recorded in the statement of profit or loss and other comprehensive income on an accrual basis using the effective interest rate. The effective interest rate is the rate at which a financial instrument reduces the amount of cash inflows to be received over the expected period of time to the net carrying amount of the financial asset.

The Company earns interest income through central and other 13 branches. The average term of a loan agreement is 24 months, and the systematic repayment is made according to the repayment schedule specified in the loan agreement.

When determining the interest rate of the customer's loan, the Company takes into account the terms of the contract and the established business practices. The amount of interest income from a contract with a customer can be either a principal interest rate or a penalty interest rate, depending on the customer's timing of repayment.

The Company calculates interest income using the effective interest rate except for impaired assets. Interest income of financial assets classified in the Stage 1 and Stage 2 is calculated on an accrual basis and recorded in the income statement.

When the financial asset is impaired and included in the Stage 3, an effective interest method is used to calculate the interest income on the net amortized cost of the financial asset. When the financial assets cease to be impaired, interest income is estimated on the carrying amount.

(ii) Fee and commission income

The Company earns fee and commission income from the services they provide to the customers. This can be understood as an issuing fee that the Company receives when the financial instrument is first issued. Loan fees and commissions are determined in each loan agreement depending on the amount of the loan, and the fee is charged from the total amount of loan, when the money is transferred. Such fees may include fees for activities such as assessing and recording the borrower's financial condition, assessing and recording guarantees, collaterals, and other security measures, negotiating the terms of financial instruments, preparing and processing documents, and closing the transaction. Assuming that the fee income is not an integral part of the effective interest rate on the financial instrument, the fee is recognized and recorded in accordance with IFRS 15 "Revenue from Contracts with Customers".

38. Summary of significant accounting polices (continued)

b. Impairment of non-financial assets

Other non-financial assets including property, plant and equipment and intangible assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit (CGU), which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash flows.

Impairment losses for CGUs reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the CGUs. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment charge is reversed if the CGU's recoverable amount exceeds its carrying amount.

Impairment losses are included in the separate statement of profit or loss and other comprehensive income.

c. Foreign currency transactions

Transactions entered into by Company entities in a currency other than the currency of the primary economic environment in which they operate (their "functional currency") are recorded at the rates ruling when the transactions occur.

Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss.

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.

The foreign exchange rates used by the Company during the year as follows:

Currency	Average rate		Closing rate	
	2020	2019	At 31 December 2020	At 31 December 2019
USD	2,813.40	2,663.54	2,849.51	2,733.52
EUR	3,212.65	2,982.51	3,495.78	3,061.00

38. Summary of significant accounting polices (continued)

d. Financial assets

The Company classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. Other than financial assets in a qualifying hedging relationship, the Company's accounting policy for each category is as follows:

Fair value through profit or loss

This category comprises in-the-money derivatives and out-of-money derivatives where the time value offsets the negative intrinsic value (see "Financial liabilities" section for out-of-money derivatives classified as liabilities). They are carried in the consolidated statement of financial position at fair value with changes in fair value recognised in the consolidated statement of profit or loss and other comprehensive income in the finance income or expense line. Other than derivative financial instruments which are not designated as hedging instruments, the Company does not have any assets held for trading nor does it voluntarily classify any financial assets as being at fair value through profit or loss.

Amortised cost

These assets arise principally from the provision of goods and services to customers (eg trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised in profit or loss. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward-looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

38. Summary of significant accounting polices (continued)

d. Financial assets (continued)

The Company individually reviews significant loans and advances at each date of statement of financial position to assess whether the impairment losses of loans and advances need to be recorded in profit or loss. For all categories, impairment losses include management valuations, including future cash flows, maturities and collateral amounts. These calculations are driven by a number of factors, and changing these factors can result in creating different levels of funds. Collective approach data and adjustment assessments also include criteria for identifying small packages of same type, the effects of risk concentration, and the identification of economic information and contingencies (including repayment trends, collateral amounts such as mortgage real estate price index, government risk, performance of different Company’s, and bankruptcy trends). Estimates and assumptions are controlled, based on actual loss conditions.

The Company's financial assets measured at amortised cost comprise loan receivables and cash and cash equivalents in the statement of financial position. Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and – for the purpose of the statement of cash flows - bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the statement of financial position.

Judgment

The Company uses the general and the simplified approach in accordance with IFRS 9 to determine the amount of expected credit loss of loans and advances. The assessment of whether to recognize the expected credit loss, is based on the probability of non-performance or significant increase in risk since the initial acceptance, rather than a decrease in the financial asset’s value at the end of the reporting period or an evidence that non-performance has actually occurred. In doing so, the total financial instruments are divided into three stages.

Stage 1 - Includes loan and similar assets that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For these financial assets, **12-month expected credit losses (‘ECL’)** are recognized and interest revenue is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance). Loans that are upgraded from the Stage 2 is reclassified.

Stage 2 - Includes loan and similar assets that have had a significant increase in credit risk since initial recognition, in other words those loan assets, payments for which have been late for 1-90 days. For these assets, **lifetime ECL** are recognized, but interest revenue is still calculated on the gross carrying amount of the asset. Loans that are upgraded from the Stage 3 is reclassified.

Stage 3 - Includes loan and similar assets that have objective evidence of impairment at the reporting date, in other words those loan assets, payments for which have been late for more than 91 days. For these assets, **lifetime ECL** are recognized and interest revenue is calculated on the net carrying amount.

38. Summary of significant accounting polices (continued)

d. Financial assets (continued)

The Company calculates the expected credit loss (ECL) based on the expected cash flows amortized by effective interest rates at these 3 stages. Cash flow is the difference between the cash flows under the agreement and the expected cash flows to be repaid. The main factors affecting the ECL calculations are as follows:

Exposure at Default - PD
Represents the weighted average credit loss based on each risk of default. The exposure at default represents the total carrying amount of the financial instrument to be impaired and increases its exposure as it approaches to the initial and potential early repayment. In other words, it is calculated by a probability of default at a given time. If the instrument has not been previously derecognized and continues to be in the corresponding package, a loss may occur once during the estimated period.

Loss given default- LGD
Loss given default is calculated by taking into account the expected changes in the loan after the reporting period, repayment of the principal and interest under the agreement, the additional amount provided under the loan obligation, and accrued interest of late payments. It is calculated from the difference between the cash flows under the agreement, and the expected amount to be received by the borrower plus the amount of collateral sold.

e. Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired. Other than financial liabilities in a qualifying hedging relationship, the Company's accounting policy for each category is as follows:

Fair value through profit or loss

This category comprises out-of-the-money derivatives where the time value does not offset the negative intrinsic value (see "Financial assets" for in-the-money derivatives and out-of-money derivatives where the time value offsets the negative intrinsic value). They are carried in the statement of financial position at fair value with changes in fair value recognised in the statement of profit or loss and other comprehensive income.

The Company does not hold or issue derivative instruments for speculative purposes, but for hedging purposes. Other than these derivative financial instruments, the Company does not have any liabilities held for trading nor has it designated any financial liabilities as being at fair value through profit or loss.

38. Summary of significant accounting polices (continued)

e. Financial liabilities(continued)

Other financial liabilities

Other financial liabilities include the following items:

- Bank borrowings and other financial liabilities are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.
- Liability components of convertible loan notes are measured as described further below.
- Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

f. Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's ordinary shares are classified as equity instruments.

g. Dividends

Dividend is a payment made to shareholder that is proportional to the number of shares owned. Whether dividends are declared or not, amount of dividend per share is decided by shareholder. Dividends are recognized as a liability in the period which they are declared.

h. Borrowing cost

The borrowing cost is 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. Interest rate regarding the special borrowings or the Company's general resource is being used; finance costs are capitalized at the weighted average interest rate. Capitalization of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed. Other borrowing costs are presented under "Finance costs" during the period it is incurred.

38. Summary of significant accounting polices (continued)

i. Lease

Identifying Leases

The Company accounts for a contract, or a portion of a contract, as a lease when it conveys the right to use an asset for a period of time in exchange for consideration. Leases are those contracts that satisfy the following criteria:

(a) There is an identified asset;
(b) The Company obtains substantially all the economic benefits from use of the asset; and
(c) The Company has the right to direct use of the asset.

The Company considers whether the supplier has substantive substitution rights. If the supplier does have those rights, the contract is not identified as giving rise to a lease. In determining whether the Company obtains substantially all the economic benefits from use of the asset, the Company considers only the economic benefits that arise use of the asset, not those incidental to legal ownership or other potential benefits.

In determining whether the Company has the right to direct use of the asset, the Company considers whether it directs how and for what purpose the asset is used throughout the period of use. If there are no significant decisions to be made because they are pre-determined due to the nature of the asset, the Company considers whether it was involved in the design of the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use. If the contract or portion of a contract does not satisfy these criteria, the Company applies other applicable IFRSs rather than IFRS 16.

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Company's incremental borrowing rate on commencement of the lease is used.

38. Summary of significant accounting polices (continued)

j. Externally acquired intangible assets

Externally acquired intangible assets are initially recognised at cost and after initial recognition, intangible assets are shall be measured at its cost less any accumulated depreciation and any accumulated impairment losses and subsequently amortised on a straight-line basis over their useful economic lives. When economic useful life of an intangible asset is uncertain, the asset is not amortized. But it is reviewed at the end of each reporting period to check whether there are any indicators of impairment.

Intangible assets	Useful life
Program software	10 years

k. Internally generated intangible assets (development costs)

Expenditure on internally developed products is capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold
- adequate resources are available to complete the development
- there is an intention to complete and sell the product
- the Company is able to sell the product
- sale of the product will generate future economic benefits, and
- expenditure on the project can be measured reliably.

Capitalised development costs are amortised over the periods the Company expects to benefit from selling the products developed. The amortisation expense is included within the *administrative expenses* in the consolidated statement of comprehensive income.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in the consolidated statement of comprehensive income as incurred.

38. Summary of significant accounting polices (continued)

l. Property, plant and equipment

Recognition and measurement
Property, plant and equipment are initially measured at cost net of accumulated depreciation and/ or accumulated impairment losses, if any. 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 and also borrowing cost.

Subsequent measurement

After initial recognition, property, plant and equipment are shall be measured at its cost less any accumulated depreciation and any accumulated impairment losses. When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate of property, plant and equipment.

Depreciation

Land is not depreciated. Depreciation on assets under construction does not commence until they are complete and available for use. Depreciation is provided on all other items of property, plant and equipment so as to write off their carrying value over their expected useful economic lives. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives. The residual value of an asset is the estimated amount that the Company would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period

The estimated useful life of items of property, plant and equipment are as follows:

Property, Plant and Equipment	Useful life
Building	25 years
Equipment	10 years
Computers and its accessories	2 years
Motor vehicles	10 years
Furniture and fixtures	10 years

38. Summary of significant accounting polices (continued)

m. Inventories

Inventories for sales are valued initially at cost and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net Realisable Value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale.
Weighted average cost is used to determine the cost of ordinarily interchangeable items.

n. Non-current assets held for sale and disposal

Non-current assets and groups of assets are classified as held for sale, in the following cases:

- The asset is available for immediate sale
- Management is committed to a plan to sell
- Actions required to complete the plan indicate that it is unlikely that plan will be significantly changed or withdrawn
- An active program to locate a buyer is initiated
- The asset is being actively marketed for sale at a sales price reasonable in relation to its fair value
- The sale is highly probable, within 12 months of classification as held for sale.

Non-current assets held for sale and disposal group are measured by minimum of the following:

- Immediately before the initial classification of the asset as held for sale, the carrying amount of the asset will be measured in accordance with the Company's accounting policy; and
- Fair value less costs to sell.

Non-current assets or disposal groups that are classified as held for sale are not depreciated.

The results of sales operation in the current year are reported in the statement of profit or loss and other comprehensive income on the date of sale.

o. Government grants

Government grants received on capital expenditure are generally deducted in arriving at the carrying amount of the asset purchased. Grants for revenue expenditure are netted against the cost incurred by the Company. Where retention of a government grant is dependent on the Company satisfying certain criteria, it is initially recognised as deferred income. When the criteria for retention have been satisfied, the deferred income balance is released to the separate statement of comprehensive income or netted against the asset purchased.

38. Summary of significant accounting polices (continued)

p. Finance income/costs

Finance income and costs consist of interest income/expense, gain/loss on exchange rate, fair value gain on financial assets and liabilities, and gain/loss on employee benefit plan. Interest income is recognized through statement of profit or loss and other comprehensive income for the year revenue recognized using the effective interest rate.

Borrowing costs are recognized as finance cost through statement of profit or loss and other comprehensive income for the year it incurred using effective interest rate. This rule does not apply to borrowing costs capitalized as being directly attributable to the acquisition, construction or production of an asset.

q. Current and deferred income tax expense

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

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the statement of financial position differs from its tax base, except for differences arising on:

- The initial recognition of goodwill
- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit, and
- Investments in subsidiaries and joint arrangements where the Company is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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.
When there is uncertainty concerning the Company's filing position regarding the tax bases of assets or liabilities, the taxability of certain transactions or other tax-related assumptions, then the Company:

- Considers whether uncertain tax treatments should be considered separately, or together as a Company, based on which approach provides better predictions of the resolution;
- Determines if it is probable that the tax authorities will accept the uncertain tax treatment; and

38. Summary of significant accounting polices (continued)

q. Current and deferred income tax expense (continued)

- If it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty. This measurement is required to be based on the assumption that each of the tax authorities will examine amounts they have a right to examine and have full knowledge of all related information when making those examinations.

Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either.

- The same taxable Company company, or
- Different Company entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

r. Earnings/(Loss) per share

Earnings per share/(loss) is calculated as the net profit or loss allocated to the weighted average number of ordinary shares outstanding during the reporting period. It represents the amount of earnings or loss per ordinary share for the current year. If the Company owns any amortized instrument, it also requires to calculate and report the amortized earnings/(loss) per share.

s. Employee benefits

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.

Social and Health insurance

As required by law of Mongolia, companies operating in Mongolia must pay social security and health insurance and such contributions are recognized as an expense in the statement of profit or loss and other comprehensive income as incurred.

38. Summary of significant accounting polices (continued)

t. 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 can be both individuals and other entities.

a) A person or a close member of that person's family is related to a reporting entity if that person:

(i) has control or joint control of the reporting entity;
(ii) has significant influence over the reporting entity; or
(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

An entity is related to a reporting entity if any of the following conditions applies:

(i) The entity and the reporting entity are members of the same Company (which means that each parent, subsidiary and fellow subsidiary is related to the others).
(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Company of which the other entity is a member).
(iii) Both entities are joint ventures of the same third party.
(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
(vi) The entity is controlled or jointly controlled by a person identified in (a).
(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

The members of the family who are likely to be influenced by the Company and those who may be affected by the Company shall be considered as members of a close family.

Regardless of whether there is a transaction between related parties, the relationship between them should be disclosed.

Disclosures of related party transactions include:

(a) Purchases
(b) Sales
(c) Lease
(d) Borrowings
(e) Warranty and collateral conditions
(f) If there is a commitment in the future if a particular event is implemented or not implemented
(g) Settle the liability on behalf of the entity or on behalf of a related party

38. Summary of significant accounting polices (continued)

Same parameters of related party transactions could disclose in total in financial statements unless it requires to disclose separately.

39. Comparative figure

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

31 December 2019		Before reclass MNT'000	Reclassification MNT'000	Reclassified MNT'000
Liabilities				
Financial liabilities	(i)	4,186,441	(789,987)	3,396,454
Non-financial liabilities	(i)	709,657	789,987	1,499,645

(i) - The amount of the client's lease liabilities and income tax liabilities reclassified from financial liabilities to non-financial liabilities in accordance with FRC rules and regulations.

40. Translation

These consolidated financial statements have also been prepared in the Mongolian language. In the event of discrepancies and contradictions between the English and the Mongolian version, the Mongolian version will prevail.