



MOORE

INDEPENDENT AUDITOR'S REPORT

MANDAL FUTURE GROWTH MUTUAL FUND LLC

The financial statements audit for the year ended 31 December 2023

Ulaanbaatar 2024

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THE STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

We, the management of Mandal Future Growth Mutual Fund LLC, hereby declare that we have accepted and fulfilled our responsibilities stated in *Management's responsibility for the audit of financial statements* section of the Independent auditor's report for the preparation of the financial statements.

We, the management of the Fund, are responsible for preparation of the financial statements reflecting a true and fair view, and confirm that they were prepared in accordance with International Financial Reporting Standards, Accounting Law of Mongolia, and the regulations and guidelines which are effective in Mongolia.

The financial statements for the year ended 31 December 2023 were approved for issuance by the management of the Fund.



CHIEF EXECUTIVE OFFICER

Date: 2024.03.15

CHIEF ACCOUNTANT

Date: 2024.03.15

MANDAL FUTURE GROWTH MUTUAL FUND LLC

CORPORATE INFORMATION

Founder's resolution	Mandal Future Growth Mutual Fund LLC was incorporated on 18 May 2021 and was approved to operate as a Mutual Fund for a period of 10 years in accordance with Resolution No. 328 of the Financial Regulatory Commission dated 18 August 2021. State Registration Certificate No. 901182609, entity registration No. 6702988, Special license No. T3 312/02
Board of Directors	Chair of the BoD Amarjargal.R Member of the BoD Monsor.N Member of the BoD Batzorig.G Independent member of the BoD Ankhbayar.Ch Independent member of the BoD Batsukh.Ts
Executive management	Ganzorig Ganbat, a citizen of Mongolia.
Investment management company (IMC)	"Mandal Asset Management UTsK" LLC
Registered stock exchange	"Mongolian Stock Exchange" JSC
Custodian bank	Custodial service department of "Golomt bank" JSC
Registered address	Suite 602, Meru Tower, Jamyang-Gun Street, 1st Khoroo, Sukhbaatar District, Ulaanbaatar, Mongolia.
Auditors	"Moore Audit" LLC Mongolian Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT**TO THE BOARD OF DIRECTORS OF MANDAL FUTURE GROWTH MUTUALFUND LLC****Audit Report on the Financial Statements****Opinion**

We have audited the accompanying *financial statements* of "Mandal Future Growth Mutual Fund" LLC (the Fund), which comprise the statement of financial position as of 31 December 2023 and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended and the summary of accounting policies and other explanatory notes.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of 31 December 2023, and its financial performance and cash flows for the year that ended in accordance with the International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with the 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 Fund 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 the Law on Auditing of 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.

Key audit matters

Key audit matters are those matters that, in the auditor's professional judgment, were of most significance in the audit of the financial statements of the current period. As part of the audit, these matters were considered in aggregate, and the auditor did not express a separate opinion on these matters. We have determined the following matters as key audit matters.

Fair value measurement of financial assets

Financial assets measured at fair value through other comprehensive income presented in the statement of financial position of the Fund as of 31 December 2023 include debt and equity instruments traded on the Mongolian Stock Exchange. We considered the estimates and professional judgments of the management used for these financial assets to be reasonable during our audit, and these estimates and assumptions may change as a result of one or more future events.

Emphasis of matter

We draw attention to Note 24 *Contingent liabilities* of the financial statements.

The Fund has filed a lawsuit in relation to the service fee to be paid for the registration of units in the Mongolian Stock Exchange, which was still ongoing as of 31 December 2023. Therefore, the service fee claimed by Mongolian Stock Exchange JSC was not recognized in the financial statements.

Responsibilities of Management and Those Charged with Governance for the financial statements

Management is responsible for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund'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 Fund or to cease operations or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund'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 Fund's ability to continue as a going concern. If, in the auditor's judgement, material uncertainty exists, the auditor shall draw attention to the relevant financial statement disclosure, or if the financial statement disclosure is not sufficient, the auditor shall modify the audit opinion. We provide an opinion based on the evidence that we have obtained to the date of issuance of audit report. However, the potential effects of inherent limitations on the auditor's ability to detect material misstatements are greater for future events or conditions that may cause an entity 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.

The auditor shall communicate with those charged with governance about the planned audit scope, timing of the audit and significant findings, including significant deficiencies in internal control, among other matters.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence.

From the matters communicated with those charged with governance, we determine those matters that were most significant in the audit of the financial statements of the current period and are therefore, the key audit matters.

We describe these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other information

Management is responsible for other information. The audit report does not include other information or we do not provide any assurance in this regard.

In connection with our audit of the 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, in which case, we are required to report that fact. We have nothing to report in this regard.

Other matters

This auditor's report is intended solely for the owners of the units of "Mandal Future Growth Mutual Fund" LLC, as per clause 23 of the Investment Fund Law of Mongolia, and should not be used by others than the Fund.

We shall not bear any responsibility before any third party regarding the framework of this report.



Date: 2024.03.15

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MANDAL FUTURE GROWTH MUTUAL FUND LLC
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	Audited 2023.12.31 MNT'000	Audited 2022.12.31 MNT'000
Interest income	7	4,160,334	4,086,889
Dividend income	8	718,452	37,579
Other income	10	213,238	-
Gain on fair value of financial assets measured at FVTPL, net	9	-	246,031
Gain on sale of debt instruments measured at amortized cost	9	489,430	-
Gain on reclassification of fair value of financial assets measured at FVOCI to profit or loss net	9	477,953	-
Gain on foreign currency exchange, net	10	596,343	1,314,470
Total revenue		6,655,750	5,684,969
Investment management service fees	11	(566,497)	(971,982)
Custodian service fees	11	(83,219)	(94,220)
Other expenses	11	(74,872)	(130,355)
Total expenses		(724,588)	(1,196,557)
Profit before income tax		5,931,162	4,488,412
Income tax expense	12	(226,761)	(365,944)
Profit for the year		5,704,401	4,122,468
Gain on fair value of financial assets measured at FVOCI, net	17	(562,091)	971,456
Total comprehensive income		5,142,310	5,093,924
Number of units	16	50,000	50,000
Basic earnings per unit, MNT		114	82.45

The accompanying notes to the financial statements form an integral part of the audited financial statements.

MANDAL FUTURE GROWTH MUTUAL INVESTMENT FUND LLC
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	Audited 2023.12.31 MNT'000	Audited 2022.12.31 MNT'000
ASSETS			
Non-current assets			
Financial assets measured at amortized cost	13	-	10,198,723
Financial assets measured at FVOCI	13	-	2,701,670
Total non-current assets		-	12,900,393
Current assets			
Financial assets measured at amortized cost	13	22,810,574	18,340,871
Financial assets measured at FVOCI	13	36,516,662	21,390,508
Prepayments		-	64,216
Interest receivable	14	909,385	1,188,389
Cash and cash equivalents	15	121,584	1,817,900
Total current assets		60,358,205	42,801,884
TOTAL ASSETS		60,358,205	55,702,277
EQUITY AND LIABILITIES			
Equity			
Units	16	50,000,000	50,000,000
Other reserves	17	409,365	971,456
Retained earnings	18	9,669,518	3,965,117
Total equity		60,078,883	54,936,573
Current liabilities			
Other current payables	19	168,447	535,833
Income tax payable	20	21,499	16,633
Deferred tax liability	21	89,376	213,238
Total current liabilities		279,322	765,704
TOTAL EQUITY AND LIABILITIES		60,358,205	55,702,277

The accompanying notes to the financial statements form an integral part of the audited financial statements.

MANDAL FUTURE GROWTH MUTUAL FUND LLC
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	Units issued	Retained earnings	Other reserves	Total
		MNT'000	MNT'000	MNT'000	MNT'000
Balance as at 31 December 2021		50,000,000	(157,351)	-	49,842,649
Profit for the year	18	-	4,122,468	-	4,122,468
Other comprehensive income	17	-	-	971,456	971,456
Balance as at 31 December 2022		50,000,000	3,965,117	971,456	54,936,573
Profit for the year	18	-	5,704,401	-	5,704,401
Other comprehensive income	17	-	-	(562,091)	(562,091)
Balance as at 31 December 2023		50,000,000	9,669,518	409,365	60,078,883

The accompanying notes to the financial statements form an integral part of the audited financial statements.

MANDAL FUTURE GROWTH MUTUAL FUND LLC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	Audited 2023.12.31 MNT'000	Audited 2022.12.31 MNT'000
Cash flows from operating activities			
Profit before tax		5,931,162	4,488,412
<i>Adjustment for:</i>			
Interest income	7	(4,160,334)	(4,086,889)
Dividend income	8	(718,452)	(37,579)
Unrealized loss (gain) on foreign currency exchange	10	66,395	(1,149,866)
Gain on fair value of financial assets measured at FVTPL	9	-	(246,031)
Gain on sale of debt instruments measured at amortized cost	9	(489,430)	-
Realized gain on fair value of financial instruments measured at FVOCI	9	(477,953)	-
Working capital adjustments:			
Decrease in financial assets measured at FVTPL		-	4,864,033
Decrease in financial assets measured at amortized cost	13	5,855,073	16,308,329
Increase in financial assets measured at FVOCI	13	(12,424,484)	(22,746,869)
Decrease /(Increase) in prepayments		64,216	(64,216)
Increase /(Decrease) in other payables	19	(367,386)	334,878
Income tax paid	20	(132,519)	(363,283)
Interest received		4,439,337	3,325,508
Dividend received	8	718,452	37,579
Net cash flows generated from/(used in) operating activities		(1,695,921)	664,006
Exchange gain(loss) on cash and cash equivalents		(395)	1,149,866
Net cash flows for the year		(1,696,316)	1,813,872
Cash and cash equivalents at the beginning of the year		1,817,900	4,028
Cash and cash equivalents at the end of the year		121,584	1,817,900

The accompanying notes to the financial statements form an integral part of the audited financial statements.

MANDAL FUTURE GROWTH MUTUAL FUND LLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

1. General information

Mandal Future Growth Mutual Fund LLC (hereinafter referred to as the Fund) was incorporated as a Limited Liability Company in accordance with the laws of Mongolia on 18 May 2021.

State Registration Certificate No. 901182609, the registration No. 6702988.

In accordance with Resolution No. 328 of the Financial Regulatory Commission dated 18 August 2021, the Fund was approved to operate as a mutual fund, and the Fund was granted special license No. T3 312/02 for a period of 10 years.

The Fund has offered a total of 50,000,000 units to the public through the Mongolian Stock Exchange, and at the end of the reporting period, 8,942 (2022: 8,896) unit owners were registered. "Mandal Asset Management" UTsK LLC owns 5.09 (2022: 5) percent of the total units, which has the highest percentage of ownership.

The Fund is a closed-end investment fund that does not have any obligation to buy back the issued units and offers to the public through the Mongolian Stock Exchange.

The Fund invests in stocks of large listed companies and fixed-income securities in order to facilitate stable and high returns in the long term and to increase the value of the assets of the unit owners of the Fund.

According to the Law on Investment Funds, the Fund is not obliged to employ any employees, and "Mandal Asset Management" UTsK LLC (hereinafter referred to as the IMC) is responsible for the provision of key management personnel in accordance with the Asset Management Agreement. Within the framework of this agreement, Ganzorig Ganbat, the executive director of the IMC, is exercising the powers and duties of executive management of the Fund.

The custodial service department of "Golomt Bank" JSC provides services of safekeeping the Fund assets, maintaining asset records, executing payments according to instructions given, estimating the valuation of assets, preparing reports and other relevant information, and accounting for and maintaining records of units in accordance with the custodial service agreement signed with the Fund.

The official registered address of the Fund is Suite 602, Meru Tower, Jamyang-Gun Street, 1st Khoroo, Sukhbaatar District, Ulaanbaatar, Mongolia.

MANDAL FUTURE GROWTH MUTUAL FUND LLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

2. Going concern

As of 31 December 2023, Mandal Future Growth Mutual Fund LLC has operated with a net profit of MNT 5,704,401 (2022: 4,122,468) thousand and net assets of MNT 60,078,883 (2022: 54,936,573) thousand.

The ability of the Fund to continue as a going concern after the approval of these financial statements is dependent on factors such as the ability of the IMC or the executive director to achieve future profitable operations, the growth of net assets of the unit owners, the investment returns and the relevant risks. At the reporting date, no material uncertainty has arisen that would affect the Fund's ability to continue as a going concern.

The macroeconomic environment in Mongolia was in the process of recovering in 2023, and by the end of the reporting period, Mongolia's real gross domestic product is expected to grow at 5.8 percent (2022: 5), and it is assumed to increase to 6.2 percent by 2024 due to the growth in the mining and financial sectors.¹

Despite the expected growth in the domestic economy, at a time when international geopolitical issues are developing rapidly, the impact of these events on the domestic economy, as well as any risks that may arise in relation to the Fund's investment activities, shall be evaluated beforehand and necessary responses and mitigation measures applied.

3. Material accounting policies

3.1 Basis for preparation

The financial statements have been prepared according to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations issued by the Standing Interpretations Committee of the IASB.

These financial statements have been prepared in accordance with the Law on Accounting of Mongolia and the guidelines and regulations approved by the Ministry of Finance of Mongolia and the Financial Regulatory Commission. The financial statements have been prepared at the historical cost basis, except for the financial and non-financial assets which have been presented as required by the relevant standards.

The reporting and functional currency of the Fund is the Mongolian Tugrik (MNT). These financial statements have been prepared at MNT and presented at thousand MNT (MNT'000).

¹ Mongolian Economic Update dated 28 November 2023, World Bank

3. Significant accounting policies (Continued)

3.1 Basis for preparation (Continued)

The International Sustainability Standards Board issued Sustainability Reporting Standards on climate change-related matters in June 2023. These financial statements do not include disclosures required by the new Sustainability Reporting Standards, and the Sustainability disclosures shall be prepared separately in the event that local guidelines and regulations require compliance with these standards.

3.2. Adoption of new and revised standards and interpretations

The following standards and amendments have become effective for the annual periods commencing on or after 01 January 2023:

- *IFRS 17 Insurance Contracts*
- *Amendments to IAS 1 and IFRS Practice Statement 2*
- *Amendments to IAS 8 Accounting Estimates*
- *Amendments to IAS 12 - Deferred tax related to assets and liabilities arising from a single transaction*

The main changes in the above IFRSs and amendments that may affect the Fund have been outlined as follows:

Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies modified the followings:

- IFRS 7, to clarify that information about measurement bases for financial instruments is expected to be material to an entity's financial statements;
- IAS 1, to require entities to disclose their material accounting policy information rather than their significant accounting policies;
- IAS 34, to identify material accounting policy information as a component of a complete set of financial statements; and
- IFRS Practice Statement 2, to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

These amendments will be applied prospectively.

Amendments to IAS 8 Accounting Estimates clarify how entities should distinguish changes in accounting policies and changes in accounting estimates. It was also clarified that monetary amounts in financial statements that are subject to measurement uncertainty shall be disclosed.

These amendments will be applied prospectively.

3. Significant accounting policies (Continued)

3.3 International Financial Reporting Standards and Interpretations issued but not yet effective

The following standards and interpretations have been issued but are not yet effective for the Fund with dates beginning on or after 01 January 2024, which are expected to impact the financial statements of the Fund:

- *Amendments to IAS 1 – Classification of Liabilities as Current or Non-current*
- *Amendments to IAS 1 – Non-current Liabilities with Covenants*
- *Amendments to IAS 7 and IFRS 7 – Supplier Financing Arrangements*
- *Amendments to IFRS 16 – Lease liability in a sale and leaseback*
- *Amendments to IFRS 10 and IAS 28 – Sale or contribution of assets between an investor and its associate or joint venture*

3.4 Summary of material accounting policies

3.4.1 Segment information

The Fund operates one segment since all financial decisions of the Fund are made on a holistic basis, and since it does not have any components for which operating profits or losses, assets, and liabilities are measured separately, hence the Fund prepares its financial statements as this one segment.

3.4.2 Revenue

Interest income is recognized at a nominal interest rate on an accrual basis for each debt instrument measured at fair value through profit or loss. In other cases, it is calculated and recognized using the effective interest method on an accrual basis.

Dividend income is recognized as revenue when it is determined that it will be received and the relevant resolutions and decisions are approved.

3.4.3 Financial assets

Financial assets are initially recognized at fair value, which generally equates to their transaction price. For those not measured at fair value through profit or loss, transaction prices are also adjusted against the carrying amount.

3. Significant accounting policies (Continued)

3.4 Summary of material accounting policies (Continued)

3.4.3 Financial assets (Continued)

Financial assets at fair value through profit or loss

Financial assets whose payments are not simply payments of principal and interest, including debt and equity instruments, are classified as fair value through profit or loss, with all changes in fair value presented in finance income and expense.

Equity instruments at fair value through other comprehensive income (FVOCI)

For equity investments that the Fund considers to be long-term strategic investments and for investments in equity securities, the Fund has taken the election in IFRS 9 to present the changes in fair value through other comprehensive income. On the sale of these equity investments, the cumulative OCI gain/ loss will be transferred within equity and will not be recycled through profit or loss. Dividends are recognized as other income when there is a right to receive payment.

Derecognition

Financial assets are derecognized when and only when:

- the contractual rights to the cash flows from the financial asset expire, or
- the contractual right to receive cash flows of the financial asset is transferred and its risks and rewards are transferred to others.

3.4.4 Financial liabilities

Other financial liabilities are all initially recognized at fair value, which generally equates to their transaction price. Other financial liabilities are subsequently measured at amortized cost, with interest expense recognized on an effective yield basis in profit or loss.

Derecognition

Financial liabilities are derecognized when the contractual obligation is discharged or canceled or expires, or if any other requirements under standards are met. The gain or loss arising as a difference between the carrying value and the amount paid is recognized in profit or loss. If the terms of an existing financial liability (loans and borrowings) are substantially modified, this will be considered to meet the criteria for derecognition of the original liability, and a new financial liability is recognized.

3. Significant accounting policies (Continued)

3.4 Summary of material accounting policies (Continued)

3.4.4 Financial liabilities (Continued)

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts. As of the reporting date, the Fund did not offset any financial assets and financial liabilities.

3.4.5 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks, and investments in money market instruments that are readily convertible, being those with original maturities of three months or less, special purpose cash funds, and other cash equivalents.

Cash and cash equivalents are measured at fair value, based on the relevant exchange rates at the reporting date.

3.4.6 Units and earnings per unit, dividends

Units

Units issued by the Fund are classified as equity. If the fair value of the proceeds received exceeds the nominal value of units, the difference is recognized in the share premium account.

Dividends

Dividends are returns from the investments in the Fund made by unit owners. Dividend distributions to the Fund's unit owners are recognized as a liability in the statement of financial position in the reporting period when the decision to distribute dividends is approved by the Fund's unit owners' meeting.

Earnings per unit

Basic earnings(losses) per unit of the Fund are calculated by dividing the net profit or loss by the weighted average number of units in circulation during the reporting period. The Fund calculates and presents basic earnings per unit.

3.4.7 Foreign currency transactions

Transactions other than those made in the Fund's reporting currency, the Mongolian tugrik (MNT), are considered foreign currency transactions. Transactions in currencies other than MNT are recorded at the rates of exchange prevailing on the dates of the transactions.

3. Significant accounting policies (Continued)

3.4 Summary of significant accounting policies (Continued)

3.4.7 Foreign currency transactions (Continued)

At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing on the reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Gains and losses arising on the exchange are included in profit or loss.

3.4.8 Income tax expense

Income tax expense represents the sum of the current tax and deferred tax expenses. The current tax expense is based on the amount charged on the taxable income for the reporting period and calculated using the tax rate prevailing at the reporting date.

Taxable income for the reporting period for an investment fund is non-operating income for the reporting period adjusted for the deductible and non-deductible items in accordance with tax law.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method.

According to Article 21.1.15² of the Law on Corporate Income Tax in effect in Mongolia, the operating income of an Investment Fund is exempted from income tax, but the Fund management has assessed the position of counterparties who are responsible for withholding and paying taxes at the end of the reporting period, identified the transactions with a high probability of being taxed by the tax authorities, and has imposed the taxes and reported them accordingly. When making this decision, the regulations and procedures required to be complied with in the implementation of the relevant legislation were also taken into account.

3.4.9 Related parties

A party is related to another party if a Party, directly or indirectly, has a significant influence on the decision-making for the financial and operating activities of another party or controls over the financial and operating activities of another party, and a Party is related to another party if the Fund is under control of a party or the conditions above mentioned are reversed.

² 21.1.15- Operating income of an Investment fund shall be exempt from income tax.

3. Significant accounting policies (Continued)

3.4 Summary of significant accounting policies (Continued)

3.4.9 Related parties (Continued)

The Fund's related parties may be individuals or other entities.

The Fund's related parties are the parties that exercise control over the Fund, its key management personnel, or the unit owners that exercise significant influence on the Fund, their close family members; and entities that are controlled by unit owners with significant influence or on which significant influence is implemented.

Entities that are part of the same group, or associates or joint ventures of a related party are also related parties. Regardless of whether any transactions have been made between related parties, their relationships should be disclosed.

Related party disclosure shall include the followings:

- Investment;
- Sales /purchases;
- Trade and other receivables /payables;
- Others.

Items of a similar nature may be disclosed in aggregate except for when separate disclosure is necessary for an understanding of the effects of related party transactions on the financial statements of the Fund.

4. Financial risk management

The Fund has exposure to the following risks from its use of financial instruments and its operations since it trades and invests in the securities collected from investors:

1. Market risk
2. Liquidity risk
3. Credit risk
4. Capital risk management

The Investment management company has overall responsibility for managing risks arising from use of financial instruments and daily operations of the Fund in accordance with the Asset Management Agreement, and for managing and increasing fund assets within the framework of regulations and procedures approved by the Financial Regulatory Commission.

The Fund's financial instruments that may be subject to financial risk are current accounts and deposits with banks, investments, other receivables and other payables. Although the Investment management company is responsible for financial risk management, the executive director is responsible for identifying and monitoring the risks.

MANDAL FUTURE GROWTH MUTUAL FUND LLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

4. Financial risk management (Continued)

4.1 Market risk

The Fund is exposed to market risks from future cash flows or fair values of financial instruments changing in response to market prices. The Fund typically considers that it is exposed to two kinds of market price risk: foreign exchange risk and interest rate risk.

Foreign currency risk

The Fund is exposed to foreign currency risk due to its purchases, sales, or investing and financing activities being denominated in currencies other than the reporting currency.

Fluctuations in exchange rates can, directly and indirectly, affect the decisions of the investor by increasing uncertainty in the market. Therefore, the Fund management considers the impact of forecast fluctuations in exchange rates and related risks on operations in accordance with the investment policies and procedures manual.

Financial assets and liabilities in foreign currencies that are presented in the financial statements are shown as follows:

	2023.12.31	2022.12.31
	USD	USD
Cash and cash equivalents	313	522,016
Financial assets measured at amortized cost	213,000	2,959,000
Interest receivable	4,581	78,433
Total foreign currency assets	217,894	3,559,449

The foreign currency average exchange rates for the reporting period and the spot exchange rate at the year-end for the foreign currencies used by the Fund are set out below:

	2023	2022
	USD	USD
Spot rate	3,410.7	3,444.6
Average rate	3,465.6	3,141.4

A ten percent strengthening of the spot rates of MNT against the following foreign currencies as of 31 December would have increased (decreased) net assets and profit or loss of the Fund by the following amounts:

USD	Profit (loss)	Equity
	MNT'000	MNT'000
2023	74,317	66,885
2022	1,226,223	1,103,479

MANDAL FUTURE GROWTH MUTUAL FUND LLC
NOTES TO THE FINANCIAL STATEMENTS
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4. Financial risk management (Continued)

4.1 Market risk (Continued)

Foreign currency risk (Continued)

A ten percent weakening of the MNT against the above currencies would have an opposite effect of equal amount.

This sensitivity analysis assumes that all other variables, particularly interest rates, remain unchanged.

Interest rate risk

Interest rate risk is the risk that the fair value of financial instruments and their future cashflows will fluctuate due to the changes in market loan interest rates.

In order to manage interest rate risk, the Fund management updates the forecast changes in interest rate every quarter, deposits cash balances with banks which are capable of bearing the risk, and trades and invests in financial instruments with high returns based on relevant risks.

As at the reporting date, the Fund held the following financial instruments exposed to interest rate risk with fixed and variable interest rates.

	2023.12.31	2022.12.31
	MNT'000	MNT'000
<i>Fixed rate instruments:</i>		
Deposits in banks	22,084,097	18,340,871
Open bonds traded on the MSE	18,569,490	11,484,569
Government bonds of Mongolia	726,477	10,198,723
	41,380,064	40,024,163

The policy rate was 13 (2022: 6.5-13) percent per annum as of 31 December 2023, and as for the interest-bearing instruments held by the Fund, the term deposits placed in commercial banks had an annual interest rate of 6-17.5 percent, other corporate debentures had an interest rate of 17.5-19.6 percent, and the Government bonds had an annual interest rate of 8.45 percent.

A ten percent increase in the interest rates will have an impact of MNT 416,033 (2022: 408,689) thousand on profit or loss and MNT 374,430 (2022: 367,820) thousand on equity. This sensitivity analysis assumes that all other variables remain unchanged. A ten percent decrease in the interest rates will have the opposite impact of an equal amount.

MANDAL FUTURE GROWTH MUTUAL FUND LLC
NOTES TO THE FINANCIAL STATEMENTS
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4. Financial risk management (Continued)

4.2 Liquidity risk

The Fund has various commitments and obligations under contracts it enters into, and liquidity risk is the risk that the Fund will encounter difficulty in meeting its financial obligations as they fall due.

Due to rapidly changing market conditions, there is a risk that investments will not be able to be sold after being purchased or sold at a loss, or that the purchase or sale will be made at an inopportune time, or that the issuer of securities will become insolvent in a manner that the issuer cannot foresee, which might lead to delays in the relevant payments.

As a result, there is also a risk that other investment opportunities will be lost.

The table below outlines the undiscounted cashflows of the principal and interest payments of the Fund's financial and tax liabilities by their contractual maturities:

As at 31 December 2023	Carrying amount MNT'000	<3 months MNT'000	3-6 months MNT'000	6 months to 1 year MNT'000
Other payables	168,447	168,447	-	-
Tax payables	21,499	21,499	-	-
TOTAL	189,946	189,946	-	-

As at 31 December 2022	Carrying amount MNT'000	<3 months MNT'000	3-6 months MNT'000	6 months to 1 year MNT'000
Other payables	535,833	535,833	-	-
Tax payables	16,633	16,633	-	-
TOTAL	552,466	552,466	-	-

4.3 Credit risk

Credit risk is the risk that a counter party will not meet its contractual obligations under a financial instrument, lease receivable or customer contract, leading to a financial loss to the Fund. The Fund is exposed to credit risk on all financial assets, and the maximum exposure is the carrying amount of those assets.

To manage credit risk, the counterparties to place financial assets with and to provide loans to are selected in accordance with the risk management policies of the IMC, minimizing credit risk exposure.

4. Financial risk management (Continued)

4.3 Credit risk (Continued)

Credit risk arises from investments in various debt securities, other receivables, cash and cash equivalents and deposits placed with financial institutions.

For financial assets, depending on whether there is a significant increase in credit risk and whether objective evidence of impairment exists, either the 12-month expected credit losses method or the lifetime expected losses method shall be applied, and the types of financial assets are as described below.

Management of the Fund aims to minimise credit risk by investing in the instruments specified in the Law on Investment Funds (Mongolian government bonds, debt and equity instruments traded on the open market), performing liquidity assessments for each security, and forming the investment portfolio specified in the law and the investment policies and procedures manual.

Current accounts and deposits with banks

The Fund aims to use reliable financial institutions with a high credit rating to hold cash deposits.

As for the reporting period, the cash in Khan Bank, Bogd Bank, and M Bank accounts for 97.23 percent of the total cash balances, and the corresponding banks' credit ratings at the reporting date are as follows:

	Credit agency	Credit rating
Khan Bank	Moody's	Stable ³
Bogd Bank	Moody's	B3 (stable) ⁴

The Fund assesses the credit losses for current accounts and deposits with banks using the 12-month expected losses and considered that it is not necessary to recognize a provision for credit losses since there were no counterparties whose credit risk has increased significantly or became insolvent at the end of the reporting periods.

³ Rating as at 06 October 2022

⁴ Rating as at 22 March 2021

MANDAL FUTURE GROWTH MUTUAL FUND LLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

4. Financial risk management (Continued)

4.3 Credit risk (Continued)

Debt instruments measured at FVTPL and FVOCI

When making the credit risk assessment of debt instruments measured at FVTPL⁵ and FVOCI⁶, the issuer's indicators such as their creditworthiness assessment (if available), ability to pay on time, profitability, liquidity and ability to be traded actively are taken into account. Credit risk is relatively low as the Fund usually invests in debt instruments traded on the open market and Government bonds as required by relevant regulatory authorities.

For financial assets of this category, there were no overdue balances or overdue payments made as at the end of the reporting period, and management considered that it is not necessary to recognize a provision for credit losses since it was immaterial when calculated using the 12-month credit losses method.

4.4 Capital risk management

Capital of the Fund consists of units.

The Fund aims to consistently increase the value of assets of the unit owners through investments, and the Fund management maintains and develops certain policies in order to increase and maintain investors' confidence. There were no changes to the Fund's capital management policy during the reporting period.

The Fund monitors levels of net assets by reference to the ratio of net assets to the number of units. Net assets are calculated as total assets less total liabilities.

Net assets of the Fund were as follows:

	2023.12.31	2022.12.31
	MNT'000	MNT'000
Total assets	60,358,205	55,702,277
Total liabilities	279,322	765,704
Net assets	60,078,883	54,936,573
Number of units	50,000	50,000
Net assets per unit, MNT	1,201.58	1,098.73

⁵ Financial asset measured at fair value through profit or loss

⁶ Financial asset measured at fair value through other comprehensive income

**MANDAL FUTURE GROWTH MUTUAL FUND LLC
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4. Financial risk management (Continued)

4.4 Capital risk management (Continued)

The Fund calculates and monitors the net assets per unit every day, and if the amount of net assets decreases by 40 percent and/or more from the amount on the commencement date of operations during any 10 consecutive days, the Fund shall be liquidated after calling and voting at an extraordinary unit owners' meeting of the Fund, or if, as a result of the investors' meeting, it is decided that the Fund shall not be liquidated, it shall be discussed and decided whether the unit owners of the investment fund have no objection to bear the risks that the investors are exposed to.

5. Fair value measurement

The Fund recognises a number of financial assets and liabilities at fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. If the asset or liability being valued is traded in an active market, the Fund will use the quoted price in that active market. If there is no active market, the Fund uses a number of valuation techniques to determine fair value.

In doing so, the Fund aims to use techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

The inputs used in the fair value measurement are classified in the following 3 levels based on their observability.

The fair value hierarchy:

Level 1: Prices quoted (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The fair values of financial assets and liabilities as shown in the statement of financial position, are presented in the table below.

As at 31 December 2023	Level 1 MNT'000	Level 2 MNT'000	Total MNT'000
<i>Financial assets</i>			
Financial assets measured at amortized cost	-	22,810,574	22,810,574
Financial assets measured at FVOCI	36,516,662	-	36,516,662
Interest receivable	-	909,385	909,385
Cash and cash equivalents	-	121,584	121,584
Total financial assets	36,516,662	23,841,543	60,358,205
<i>Financial liabilities</i>			
Other payables	-	168,447	168,447
Total financial liabilities	-	168,447	168,447

MANDAL FUTURE GROWTH MUTUAL FUND LLC
NOTES TO THE FINANCIAL STATEMENTS
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5. Fair value measurement (Continued)

As at 31 December 2022	Level 1 MNT'000	Level 2 MNT'000	Total MNT'000
Financial assets			
Financial assets measured at amortized cost	-	28,539,594	28,539,594
Financial assets measured at FVOCI	24,092,178	-	24,092,178
Interest receivable	-	1,188,389	1,188,389
Cash and cash equivalents	-	1,817,900	1,817,900
Total financial assets	24,092,178	31,545,883	55,638,061
Financial liabilities			
Other payables	-	535,833	535,833
Total financial liabilities	-	535,833	535,833

6. Critical accounting estimates and judgments

In preparing the financial statements, management is required to make estimates and judgements which affect reported revenue, expenses, assets, liabilities, contingent assets and liabilities and their disclosures. Actual results in the future could differ from such estimates.

Judgements

The following assets and liabilities are the financial statement areas that required significant judgments and estimates to be made. Further information about these judgments can be found in the relevant notes:

1. For financial instruments:
 - Fair value of financial instruments traded in active markets is estimated based on the closing market prices on the stock exchange on the measurement date.
 - Fair value of financial instruments not traded in active markets is estimated by taking into account the market prices of identical assets traded in inactive markets, changes in circumstances, the credit spread, contractual interest rates and benchmark interest rates available, the valuation method used, and other reasonable factors.
2. Judgements in determination of control and significant influence – The main purpose of the Fund is to maximize the returns from investments, and in most cases, it is assumed that no control is exercised on equity instruments since they are held to collect cash flows from their sale. For transactions, determination of control involves consideration of involvement in decision-making, the impact of the transaction, and differences from and similarities with transactions of similar nature made between unrelated parties.

MANDAL FUTURE GROWTH MUTUAL FUND LLC
NOTES TO THE FINANCIAL STATEMENTS
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6. Critical accounting estimates and judgements (Continued)

Estimates

The following are 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, and the adjustments are made prospectively.

Financial statement areas that require fair value estimation in their measurement and disclosures are the financial assets and liabilities, and the fair value hierarchy information for these assets and liabilities were provided in Note 5.

7. Interest income

	2023.12.31	2022.12.31
	MNT'000	MNT'000
<i>Interest income on financial assets measured at FVOCI</i>		
Interest income on open bonds (Note 13)	1,873,289	1,142,187
<i>Interest income on financial assets measured at amortized cost</i>		
Interest income on term deposits (Note 13)	1,370,087	2,662,056
Interest income on Government bonds (Note 13)	916,958	282,646
	4,160,334	4,086,889

8. Dividend income

	2023.12.31	2022.12.31
	MNT'000	MNT'000
Dividend income from equity instruments measured at FVOCI (Note 13)	718,452	37,579
	718,452	37,579

9. Gain or loss on financial assets

	2023.12.31	2022.12.31
	MNT'000	MNT'000
Gain on fair value of financial assets measured at FVTPL, net	-	246,031
Gain on sale of equity and debt instruments measured at FVOCI	154,955	-
Gain on sale of debt instruments measured at amortized cost	489,430	-
Gain on reclassification of fair value of financial assets measured at FVOCI to profit or loss, net	322,998	-
	967,383	246,031

MANDAL FUTURE GROWTH MUTUAL FUND LLC
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10. Other gains (losses)

	2023.12.31	2022.12.31
	MNT'000	MNT'000
Realized gain on foreign currency exchange	662,738	164,604
Unrealized gain (loss) on foreign currency exchange	(66,395)	1,149,866
Other income	213,238	-
	809,581	1,314,470

Due to the operating income of the Fund becoming exempt from tax starting from 01 January 2023, the deferred tax liability which arose in the previous reporting period was recognized as other income.

11. Fund operating expenses

	2023.12.31	2022.12.31
	MNT'000	MNT'000
Investment management service fees	566,497	971,982
Custodian service fees	83,219	94,220
Professional service expense	66,733	59,075
Fees, charges, and other expenses	8,139	71,280
	724,588	1,196,557

The amount of investment management service fees to be paid to the IMC in a given reporting period equals to 1 percent of the net assets value of the Fund in accordance with the Asset Management Agreement, which shall be paid in equal monthly installments. The amount of bonuses paid to the IMC equals 10 percent of gross profit for the year of the Fund and is paid once a year. In order to increase the returns of the Fund, the board of directors of "Mandal Asset Management" UTsK LLC has decided by its resolution not to receive the performance bonuses for 2023.

The Fund receives custodial services from Golomt Bank. The custodian bank charges custodian service fees amounting to 10 percent of the value of securities and other assets of the Fund.

12. Income tax expense

The income tax expense for the reporting period as shown in the Statement of profit or loss and other comprehensive income consists of the following:

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NOTES TO THE FINANCIAL STATEMENTS
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12. Income tax expense (Continued)

	2023.12.31	2022.12.31
	MNT'000	MNT'000
Current tax:		
Tax imposed on profit before tax	-	448,841
Effects of tax at a special rate	116,062	(57,109)
Effects of non-taxable income	-	(58,130)
Effects of tax at a common rate	21,323	-
	137,385	333,602
Deferred tax:		
Previously recognized temporary differences	-	(53,074)
Temporary differences realized in the reporting period	89,376	85,416
	89,376	32,342
Total tax expense	226,761	365,944

According to the law in force in the previous reporting periods, the Fund has paid income tax on profits of up to MNT 6 billion at the rate of 10%, and at the rate of 25% on profits above this amount.

Starting from 01 January of the reporting period, in accordance with Article 21.1.15⁷ of the Law on Corporate Income Tax, the operating income of the Investment Fund is exempted from income tax.

The Fund has imposed and reported taxes of MNT 21,323 thousand at a common rate on its income not related to its main operations (Note 10).

Taxes of MNT 116,026 (2022: 57,109) thousand withheld, imposed, and paid by commercial banks at a special rate for the current account balances and the deposit interest income of the Fund were recognized and presented as income tax expenses. In addition, taxes of MNT 89,376 (2022: 0) thousand imposed on the deposit interest income were recognized and presented as deferred tax expenses and a corresponding deferred tax liability. (Note 21)

13. Financial assets

	2023.12.31	2022.12.31
	MNT'000	MNT'000
Measured at FVOCI	36,516,662	24,092,178
Measured at amortized cost	22,810,574	28,539,594
	59,327,236	52,631,772

⁷ 21.1.15 - Operating income of an Investment fund shall be exempt from income tax.

MANDAL FUTURE GROWTH MUTUAL FUND LLC
NOTES TO THE FINANCIAL STATEMENTS
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13. Financial assets (Continued)

The following table disclose the financial assets by their contract terms and business model.

	2023.12.31	2022.12.31
	MNT'000	MNT'000
Financial assets measured at amortized cost		
Current		
Mongolian Government bonds (ii)	726,477	-
Deposits with banks (i)	22,084,097	18,340,871
	22,810,574	18,340,871
Non-current		
Mongolian Government bonds (ii)	-	10,198,723
	-	10,198,723
Financial assets measured at FVOCI		
Current		
Equity instruments listed on the Mongolian Stock Exchange (iii)	17,947,172	12,607,609
Debt instruments listed on the Mongolian Stock Exchange (iv)	18,569,490	8,782,899
Total	36,516,662	21,390,508
Non-current		
Debt instruments listed on the Mongolian Stock Exchange (iv)	-	2,701,670
Total	-	2,701,670

The contract terms of financial assets measured at amortized cost are provided below:

i – Term deposits consist of 6-12 month term deposits with annual interest rates of 6-17.5% placed with commercial banks of Mongolia. Interest income of MNT 1,370,087 (2022: 2,662,056) thousand was recognized in the reporting period (Note 7).

ii – These debt instruments consist of 2,130 bonds with an annual interest rate of 8.45 percent and a term of 10 years with the interest being paid half-yearly, and with a nominal value of USD 100 each and USD 213,000 in total, issued by the Mongolian Government on 07 July 2021. Interest income of MNT 916,958 (2022: 282,646) thousand was recognized in the reporting period from these securities (Note 7).

iii – *Financial assets measured at FVOCI invested in equity securities*

Investments in equity securities consist of investments in companies operating in insurance, trade, light manufacturing, transport and logistics, and banking and finance sectors, and investments were made in publicly traded securities of a total of 8 companies. Dividends of MNT 718,452 (2022: 37,579) thousand were received in the reporting period (Note 8).

MANDAL FUTURE GROWTH MUTUAL FUND LLC
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13. Financial assets (Continued)

iv – Financial assets measured at FVOCI invested in debt securities

The Fund holds debentures with annual interest rates of 17.5 to 19.6 percent and terms ending in 2024-2025 with the interest being paid quarterly, issued by 6 companies operating in the banking and finance sector, and there are no debentures with overdue balances. Interest income of MNT 1,873,289 (2022: 1,142,187) thousand was recognized in the reporting period from these securities (Note 7).

Gains or losses arising from financial assets are as follows:

	2023.12.31	2022.12.31
	MNT'000	MNT'000
Interest income		
Interest income on financial assets measured at amortized cost	2,287,045	2,944,702
Interest income on debt instruments measured at FVOCI	1,873,289	1,142,187
	4,160,334	4,086,889
Dividends		
Dividends received from equity instruments measured at FVOCI	718,452	37,579
	718,452	37,579
Gains or losses		
Gain on fair value of financial assets measured at FVTPL, net	-	246,031
Gain on sale of equity and debt instruments measured at FVOCI	154,955	-
Gain on sale of debt instruments measured at amortized cost	489,430	-
Gain on reclassification of fair value of financial assets measured at FVOCI to profit or loss, net	322,998	-
	967,383	246,031
Other reserves		
Gain on fair value of debt securities measured at FVOCI	860,487	95,398
Loss on fair value of equity instruments measured at FVOCI	(451,122)	1,003,880
	409,365	1,099,278

MANDAL FUTURE GROWTH MUTUAL FUND LLC
NOTES TO THE FINANCIAL STATEMENTS
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14. Interest receivables

	2023.12.31	2022.12.31
	MNT'000	MNT'000
Interest receivable on Mongolian Government bonds (Note 13)	15,625	270,171
Interest receivable on current accounts and deposits (Note 13)	893,760	918,218
	909,385	1,188,389

15. Cash and cash equivalents

	2023.12.31	2022.12.31
	MNT'000	MNT'000
Cash in current accounts	121,584	1,817,900
	121,584	1,817,900

16. Fund units

	2023.12.31	2022.12.31
	MNT'000	MNT'000
As at 01 January	50,000,000	50,000,000
Units issued	-	-
As at 31 December	50,000,000	50,000,000

The Fund owns a total of fifty million called and issued units with a nominal value of MNT one thousand (1,000) each.

A total of 50,000,000 units were offered to the public through the Mongolian Stock Exchange, and all units were paid for. As at the end of the reporting period, 8,942 (2022: 8,996) unit owners were registered. "Mandal Asset Management" UTsK LLC owns 5.09 (2022: 5) percent of the total units, which is the highest percentage of ownership.

17. Other reserves

	2023.12.31	2022.12.31
	MNT'000	MNT'000
As at 01 January	971,456	-
Gain (loss) on fair value of equity and debt securities measured at FVOCI	(239,093)	1,099,278
Deferred tax arising from other comprehensive income	-	(127,822)
Realized gain recognized in profit or loss	(322,998)	-
As at 31 December	409,365	971,456

MANDAL FUTURE GROWTH MUTUAL FUND LLC
NOTES TO THE FINANCIAL STATEMENTS
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18. Retained earnings (losses)

	2023.12.31	2022.12.31
	MNT'000	MNT'000
As at 01 January	3,965,117	(157,352)
Additions	5,704,401	4,122,469
As at 31 December	9,669,518	3,965,117

19. Other payables

	2023.12.31	2022.12.31
	MNT'000	MNT'000
Payables related to the Mongolian Stock Exchange	90,096	75,000
Other current payables	78,351	460,833
	168,447	535,833

20. Income tax payable

	2023.12.31	2022.12.31
	MNT'000	MNT'000
As at 01 January	16,633	46,314
Imposed in the reporting period	116,062	152,705
The amount realized in the reporting period from the deferred tax liabilities arising from financial assets measured at FVOCI	21,323	180,897
Tax withheld by others	(116,062)	(274,572)
Income tax paid	(16,457)	(88,711)
As at 31 December	21,499	16,633

21. Deferred tax liability

	2023.12.31	2022.12.31
	MNT'000	MNT'000
As at 01 January	213,238	53,074
Arising in the reporting period	89,376	213,238
Realized	-	(53,074)
Exempted tax recognized in profit or loss (Note 10)	(213,238)	-
As at 31 December	89,376	213,238

MANDAL FUTURE GROWTH MUTUAL FUND LLC
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22. Related parties

Related parties	Affiliation/Citizenship	Relationship
Legal entities		
Mandal Financial Group LLC	Legal entity of Mongolia	Parent company of the IMC
Mandal Asset Management UTsK LLC	Legal entity of Mongolia	Investment Management Company (IMC)
Mandal Capital Markets UTsK LLC	Legal entity of Mongolia	Associate company owned by the parent company Company with a
Mandal Daatgal JSC	Legal entity of Mongolia	shareholding of the ultimate beneficial owner
Tenger Daatgal LLC	Legal entity of Mongolia	Associate company owned by the parent company
Board members		
Amarjargal.R	Citizen of Mongolia	Chair of the BoD
Monsor.N	Citizen of Mongolia	Member of the BoD
Ankhubayar.Ch	Citizen of Mongolia	Member of the BoD
Batsukh.Ts	Citizen of Mongolia	Member of the BoD
Batzorig.G	Citizen of Mongolia	Member of the BoD
Individuals		
Ganzorig.U	Citizen of Mongolia	Ultimate beneficial owner
Ganzorig.G	Citizen of Mongolia	Executive director

The related party disclosure has been prepared based on the information provided by management and publicly available information. Therefore, there might be other undisclosed related parties and transactions.

Number of units owned by the related parties and their percentages of total units are as follows:

	2023.12.31		2022.12.31	
	Quantity	%	Quantity	%
Related parties				
Mandal Capital Markets UTsK LLC	386,673	1%	228,274	0.5%
Mandal Asset Management UTsK LLC	2,546,682	5%	2,500,000	5%
Mandal Daatgal JSC	492,112	1%	-	-
Tenger Daatgal LLC	1,462,170	3%	-	-
	4,887,637	10%	2,728,274	5.5%

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22. Related parties (Continued)

The transactions made with the related parties are as follows:

	2023.12.31	2022.12.31
	MNT'000	MNT'000
Investment management service fees to the IMC (Note 11)	49,185	172,650
Bonuses paid to the IMC (Note 11)	-	421,006
	49,185	593,656

23. Compliance with laws and regulations

Within the framework of "Procedures for establishing and providing special licenses for operations and supervising of investment funds" approved by Resolution No. 275 of the Financial Regulatory Commission, the total amount of investments in the shares of companies registered as securities trading organizations should not exceed 70 percent of the total assets of the Fund, and in the reporting period, this percentage was equal to 30.25 (2022: 22.63), meaning the requirement was met. In addition, 32.52 (2022: 38.93) percent were placed in investment instruments specified in Articles 26.1.1, 26.1.2, 26.1.5, and 26.1.8 of the Law on Investment Funds, and 37.23 (2022: 36.19) percent were placed in cash balances.

24. Contingent liabilities

The Mongolian Stock Exchange JSC (hereinafter referred to as "MSE JSC") has registered the fund units in August 2021, and has charged service fees of MNT 500,000 thousand which equal to 1 percent of issued capital.

The service fee of 1 percent set by the MSE JSC has caused a financial burden on investors and has significantly increased the expenses of the Fund, and since the Fund considers that the requirements of the previous procedures were unfair, it refused to pay the service fees and initiated court procedures.

According to decision No. 92 of the administrative court of first instance of Ulaanbaatar dated 24 January 2023, service fees of MNT 125,000 thousand were decided to be paid as revised service fee percentage according to the amendment on "Procedures for registration of units of mutual and closed-end investment funds" approved by resolution No. 16 of the BoD of MSE JSC dated 30 December 2021.

Accordingly, the Fund has recognized service fees of MNT 125,000 thousand as an expense and has paid MNT 50,000 thousand. At the end of the reporting period, there is a service fee payable balance of MNT 75,000 thousand.

24. Contingent liabilities (Continued)

MSE JSC did not accept the decision of the court of first instance, and the parties got involved in another dispute. Therefore, despite the fact that the decisions of the administrative court of first instance, the court of appeal and court hearings at the review stage were issued, the Fund has appealed to the Administrative court of first instance to re-determine the responsible parties involved in the dispute.

Since the judge of the administrative court of first instance of Ulaanbaatar issued order No. 128/Sh32024/0213 on the initiation of an administrative case on 28 December 2023, the dispute related to the service fee was not considered to have been conclusively resolved, and it was considered reasonable to not pay the remaining amount. Therefore, it was not recognized as a liability.

During the audit, MSE JSC has submitted a confirmation letter response stating that it has a receivable of MNT 450,000 thousand from the Fund, hence there is a possibility of recognition the expense and related payable in the next reporting period depending on the final resolution of the lawsuit.

25. Events after the reporting period

In accordance with Resolution No. 01 of the Board of Directors dated 19 February 2024, it was decided not to distribute dividends to shareholders from the net profit of 2023 in order to increase the profitability of "Mandal Future Growth Mutual Fund" LLC.