

Audited Project Financial Statements

Project Number: 39229-033
Loan/Grant Number: 3287 and 3288
Period covered: 1 January 2019 to 31 December 2019

Mongolia: Agriculture and Rural Development Project – Additional Financing

Prepared by the Project Implementation Unit of the Agriculture and Rural Development
Project

For the Asian Development Bank
Date accepted by ADB: 18 June 2020

The audited project financial statements are documents owned by the borrower. The views expressed herein do not necessarily represent those of ADB's Board of Directors, Management, or staff. These documents are made publicly available in accordance with ADB's Access to Information Policy and as agreed between ADB and the Project Implementation Unit of the Agriculture and Rural Development Project.



DALAIWAN AUDIT

AUDITOR'S REPORT

**Additional Financing of Agriculture
and Rural Development Project
Loan number 3287-MON/3288-MON(SF)**

Financial statement as of
December 31, 2019



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Agriculture and Rural Development Project
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DALAIVAN AUDIT LLC

Rm.903A, City Tower, Sukhbaatar sq.8/1,
Baga Toiruu 14200, Sukhbaatar District,
Ulaanbaatar, Mongolia Tel: (976-11) 322652

2 June 2020

#01-2020/119

**PIU Management Responsibility Letter for preparation and
approval of the financial statements as of December 31, 2019**

We, the signed as PIU Management of "Additional Financing of the Agriculture and Rural Development Project (Loan 3288 MON (SF) and 3287 MON)", are responsible for preparing the financial statements in accordance with International Public Sector Accounting Standards (IPSAS), monitoring project operations are held for intended purposes, safeguarding project assets and preventing and detecting fraud and other violations.

At the end of the reporting period, the management is responsible for assessing the project unit's ability to continue as a going concern, disclosing matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the project unit or to cease operations, or has no realistic alternative but to do so.

The management is responsible for regular monitoring of potential contingent liabilities that may arise in the future as a result of the past events from legal or assumed constructive obligations and for disclosing contingent liabilities arising from such legal or constructive obligations in the financial statements.

We confirm we fulfilled our responsibilities as mentioned above, and the financial statements as of December 31, 2019 have been prepared fairly under International Public Sector Accounting Standards (IPSAS).

Also, we comply with the following ADB's requirements:

- (i) That project financial statements are free from material misstatements including omissions and errors, and are fairly presented;
- (ii) That the executing agency has utilized the proceeds of the loan only for the purposes of the project;
- (iii) That the executing agency was in compliance with the financial covenants of the loan agreement (where applicable);
- (iv) That the advance (imprest account) fund procedure has been operated in accordance with the ADB's Loan Disbursement Handbook;
- (v) That adequate supporting documentation has been maintained to authenticate claims stated on the statement of expenditures (SOE) for reimbursement of eligible expenditures incurred and liquidation of advances provided to the advance account; and
- (vi) That effective internal control, including over the procurement process, was maintained.

We authorized and approved the audited financial statements "Additional Financing of the Agriculture and Rural Development Project (Loan 3288 MON (SF) and 3287 MON)", as of December 31, 2019.

PROJECT COORDINATOR

J.TUVSHINSANAA

PROJECT ACCOUNTANT

Z.ARIUNTSETSEG



INDEPENDENT AUDITOR'S REPORT

**To: J.TUVSHINSANAA
PROJECT COORDINATOR**

**ADDITIONAL FINANCING OF THE AGRICULTURE AND RURAL DEVELOPMENT
PROJECT (LOAN NUMBER 3288 MON (SF) AND 3287 (MON))**

Unqualified Opinion

We have audited the financial statements of **Additional financing of the Agriculture and Rural Development Project (Loan Number 3288 MON (SF) and 3287 (MON))**, that comprises the statement of financial position as of December 31, 2019, and the statement of financial performance, statement of changes in net assets/equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements were presented fairly, in all material respects, the financial position of **Additional financing of the Agriculture and Rural Development Project (Loan Number 3288 MON (SF) and 3287 (MON))**, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS).

Basis of Opinion

We have 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 project unit in accordance with the International Ethics Standards Board for Accountants' Code of Ethics and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 our professional judgment, were of most significance in our audit of the financial statements. We have determined that there are no key audit matters to communicate in our report.

Other information

Management is responsible for the other information. The other information comprises the information included in the Project's Annual Report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility for 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 auditors' 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 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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the project unit's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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.

Use of the report

This report is prepared solely for the uses of PIU and ADB. We do not assume responsibility to any other person for the content of this report.



DALAIVAN AUDIT LLC
ULAANBAATAR
MONGOLIA

June 15, 2020

The Government of Mongolia
Asian Development Bank
Loan 3287-MON, 3288-MON (SF)
Agriculture and Rural Development Project-Additional Financing

AUDITED STATEMENT OF FINANCIAL POSITION
as at December 31, 2019


		In USD	
Items	Note	2018.12.31	2019.12.31
ASSETS			
CASH AND CASH EQUIVALENTS	4.1	11,355,444.77	8,314,774.86
RECEIVABLES:		22,875,359.51	34,851,777.44
Sub-loans from the 1 st phase of the project	4.2, 4.14	109,919.90	
Sub-loans from the additional financing of the project	4.2, 4.14	22,749,383.29	30,502,935.61
Interest receivable	4.3	16,056.32	36,824.08
Other receivable	4.4		4,312,017.75
PREPAID EXPENSES		39,647.98	2,620.31
Prepaid expenses	4.5	39,647.98	2,620.31
INVENTORIES		5,039.60	2,752.92
Supplies	4.6	5,039.60	2,752.92
TOTAL CURRENT ASSETS		<u>34,275,491.86</u>	<u>43,171,925.53</u>
FIXED ASSETS		8,330.62	6,333.39
Vehicles	4.7	72,145.52	72,145.52
Accumulated depreciation	4.7	(72,145.52)	(72,145.52)
Computer and spare parts	4.7	36,965.58	36,965.58
Accumulated depreciation	4.7	(28,634.96)	(30,632.19)
Other fixed assets	4.7	1,361.98	1,361.98
Accumulated depreciation	4.7	(1,361.98)	(1,361.98)
INTANGIBLE ASSETS		-	-
Software	4.7	6,559.04	6,559.04
Accumulated amortization	4.7	(6,559.04)	(6,559.04)
TOTAL NON-CURRENT ASSETS		<u>8,330.62</u>	<u>6,333.39</u>
TOTAL ASSETS		<u>34,283,822.48</u>	<u>43,178,258.92</u>

In USD			
Items	Note	2018.12.31	2019.12.31
LIABILITIES AND NET ASSETS/EQUITY			
LIABILITIES:			
SHORT TERM LIABILITIES			
Account payable	4.10		63,199.39
Unearned revenue			
Unearned VCI loan interest income	4.11	282.33	3,156.46
LONG TERM LIABILITIES			
ADB Loan	4.8	27,856,200.97	38,547,559.16
ADB Loan interest and commitment charges	4.9	762,319.26	1,740,757.26
Long-term liabilities			
TOTAL LIABILITIES		28,618,802.56	40,354,672.27
NET ASSETS/EQUITY:			
Government funding (remained from 1 st phase of the project)	4.12	117,307.03	
Government contribution	4.12	452,800.14	452,800.14
Revolving fund accounts	4.12	7,272,775.38	7,382,781.56
Accumulated surplus/(deficit)	4.12	(2,177,862.63)	(5,011,995.05)
TOTAL NET ASSETS/EQUITY		5,665,019.92	2,823,586.65
TOTAL LIABILITIES AND NET ASSETS/EQUITY		34,283,822.48	43,178,258.92

Prepared and reviewed by:


D. Badruun
Project Director


J. Tuiyshinsanaa
Project Coordinator

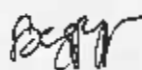

Z. Arimtssetseg
Project Accountant

The Government of Mongolia
Asian Development Bank
Loan 3287-MON, 3288-MON (SF)
Agriculture and Rural Development Project-Additional Financing

AUDITED STATEMENT OF FINANCIAL PERFORMANCE
as at December 31, 2019

		In USD	
Items	Note	2018.12.31	2019.12.31
OPERATING REVENUE			
VCI sub-loan interest income	4.13	864,469.78	1,205,556.31
Deposit interest income	4.13	782,125.47	765,640.26
Bank interest income (for ADB accounts)	4.13	2,204.81	2,640.95
Bank interest income (for Revolving fund accounts)	4.13	45,340.34	53,115.03
Other income	4.13	1,031.76	967.60
TOTAL OPERATING REVENUE		1,695,172.16	2,027,920.15
OPERATING EXPENSES			
ADB financing		(2,842,331.12)	(4,304,844.28)
Consulting services	4.13	(190,800.00)	(189,728.62)
Training	4.13	(173,422.13)	(495,223.58)
Equipment	4.13	(34,194.53)	(909,620.24)
Materials	4.13		(480,859.02)
Marketing and Brand Development	4.13	-	(126,473.73)
Audit expense	4.13	(3,932.33)	(7,600.00)
Project Management expenses	4.13	(101,266.98)	(93,830.87)
Bank charges	4.13	(40.00)	(406.98)
ADB Loan interest expense-OCR	4.13	(506,227.58)	(938,743.35)
ADB Loan interest expense-ADF	4.13	(17,490.13)	(39,694.65)
State bank's interest income (transfer to the Treasury)	4.13		(2,620.50)
Foreign currency gain/(loss)	4.15	(1,814,957.44)	(1,020,042.74)
GOM financing		(506,703.95)	(564,509.14)
Consulting services	4.13	(568.69)	(647.58)
Project Management expenses	4.13	(49,722.50)	(46,737.08)
Depreciation expense	4.13	(1,997.88)	(1,997.23)
VAT exemptions	4.13	(1,038.37)	
Closing of some Government accounts	4.13		(268,578.71)
Foreign currency gain/(loss)	4.15	(453,376.51)	(246,548.54)
TOTAL OPERATING EXPENSES		(3,349,035.07)	(4,869,353.42)
NET SURPLUS/(DEFICIT) FOR THE PERIOD		(1,653,862.91)	(2,841,433.27)

Prepared and reviewed by:


D. Badruun
 Project Director


J. Tuvshinsanaa
 Project Coordinator



Z. Ariuntsetseg
 Project Accountant

The Government of Mongolia
Asian Development Bank
Loan 3287-MON, 3288-MON (SF)
Agriculture and Rural Development Project-Additional Financing
AUDITED STATEMENT OF CHANGES IN NET ASSETS/EQUITY
as at December 31, 2019


In USD

Items	Government contribution	The remaining balance of sub-loan provided in the 1 st phase of the project	Revolving fund accounts	Accumulated surplus/(deficit)	Total
Balance at December 31, 2017	451,761.77	520,717.89	6,869,364.52	(523,999.72)	7,317,844.46
Changes in accounting policies					
Restated balance	451,761.77	520,717.89	6,869,364.52	(523,999.72)	7,317,844.46
Amounts collected for the period		(403,410.86)	403,410.86		-
VAT exemptions	1,038.37				1,038.37
Unrecognized gain/(losses) in the statement of financial performance					
Foreign currency gain/(loss)					
Net surplus/(deficit) for the period				(1,653,862.91)	(1,653,862.91)
Balance at December 31, 2018	452,800.14	117,307.03	7,272,775.38	(2,177,862.63)	5,665,119.92
Changes in accounting policies		(7,300.85)		7,300.85	
Restated balance	452,800.14	110,006.18	7,272,775.38	(2,170,561.78)	5,665,119.92
Amounts collected for the period		(110,006.18)	110,006.18		
VAT exemptions					
Unrecognized gain/(losses) in the statement of financial performance					
Foreign currency gain/(loss)					
Net surplus/(deficit) for the period				(2,841,433.27)	(2,841,433.27)
Balance at December 31, 2019	452,800.14	-	7,382,781.56	(5,011,995.05)	2,823,586.65

Prepared and reviewed by:


D. Badruun
Project Director




Z. Ariunsetsseg
Project Accountant


The Government of Mongolia
Asian Development Bank
Loan 3287-MON, 3288-MON (SF)
Agriculture and Rural Development Project-Additional Financing

AUDITED STATEMENT OF CASH FLOWS
as at December 31, 2019

	In USD	
Items	2018.12.31	2019.12.31
CASH INFLOWS FROM OPERATING ACTIVITIES		
Received from ADB (OCR)	9,907,333.38	5,668,179.72
Received from ADB (ADF) VCI		2,603,370.79
Received from ADB (ADF)	489,439.18	1,200,059.78
Bank interest income (ADB fund)	2,204.81	2,640.95
Received from VCI loan interest income	848,695.79	1,186,837.12
Total cash inflows from operating activities	11,247,673.16	10,661,088.36
CASH OUTFLOWS FROM OPERATING ACTIVITIES		
Payments financed from ADB Loan	(510,184.20)	(876,569.93)
Training	(213,070.11)	(455,575.60)
Consulting services	(190,800.00)	(189,728.62)
Marketing and brand development	-	(126,473.73)
Audit expense	(3,932.33)	(7,600.00)
PMU staff expenses	(60,294.35)	(58,658.83)
Postage and communication costs	(2,290.22)	(1,946.80)
LAN, Anti-virus software and PC maintenance expenses	(1,288.33)	(3,349.97)
Advertising expense	(3,878.05)	(2,520.39)
Office supplies	(7,551.99)	(4,308.08)
Site visit expenses	(5,270.54)	(6,863.59)
Fuel expenses	(7,609.85)	(5,176.86)
Car repair and garage expenses	(8,903.05)	(7,404.29)
Car insurance and car taxes	(1,450.58)	(1,309.38)
Other expenses	(3,804.80)	(2,626.31)
Bank charges	(40.00)	(406.98)
State bank's interest income transfer to the Treasury	-	(2,620.50)
Payments financed from GOM financing	(50,291.19)	(4,627,981.12)
Training		
Consulting services	(568.69)	(647.58)
Social insurance contributions	(7,224.96)	(7,327.91)
Office rent	(42,467.01)	(39,310.56)
Transfer to the Treasury	-	(4,312,017.75)
Closing of some Government accounts	-	(268,578.71)
Advertising expense	-	(75.46)
Bank charges	(30.53)	(23.15)
Total cash outflows from operating activities	(560,475.39)	(5,504,551.05)
NET CASH FLOWS FROM OPERATING ACTIVITIES	10,687,197.77	5,156,537.31

Items	In USD	
	2018.12.31	2019.12.31
CASH INFLOWS FROM INVESTING ACTIVITIES		
VCI sub-loan repayments (1 st phase of the project)	403,410.86	110,006.18
VCI sub-loan repayments (additional financing)	54,799.90	957,320.72
Deposit bank interest income	782,125.47	765,640.26
Interest income received	45,340.34	53,115.03
Other income	1,031.76	967.60
Purchase of equipment (output 3)	(34,194.53)	-
Purchase of equipment (output 2)	-	(62,448.79)
Purchase of equipment (PML)	(2,240.37)	-
Purchase of materials (output 2)	-	(45,083.18)
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>1,250,273.43</u>	<u>1,779,517.82</u>
CASH OUTFLOWS FROM FINANCING ACTIVITIES		
VCI funding	(10,179,736.41)	(9,710,644.38)
NET CASH FLOWS FROM FINANCING ACTIVITIES	<u>(10,179,736.41)</u>	<u>(9,710,644.38)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	<u>1,757,734.79</u>	<u>(2,774,589.25)</u>
Foreign currency gain/(loss)	(454,030.80)	(266,080.66)
Cash and cash equivalents at the beginning of the year	10,051,740.78	11,355,444.77
Cash and cash equivalents at the end of the year	11,355,444.77	8,314,774.86

Prepared and reviewed by:


D. Badruun
Project Director


J. Tuvshinsanaa
Project Coordinator


Z. Ariuntsetseg
Project Accountant

INDEPENDENT AUDITOR'S REPORT

TO: J.TUVSHINSANAA
PROJECT COORDINATOR

ADDITIONAL FINANCING OF THE AGRICULTURE AND RURAL DEVELOPMENT PROJECT (LOAN NUMBER 3288 MON (SF) AND 3287 (MON))

We have audited the Statement of Sources and Uses of Funds and the Statement of Expenditures for the year ended December 31, 2019 of **Additional financing of the Agriculture and Rural Development Project**, which was prepared within the loan agreement **Loan Number 3288 MON (SF) and 3287 (MON)** framework to support withdrawals.

We conducted our audit in accordance with generally accepted auditing standards, on a test basis examined evidence documents that support the amounts and disclosures in those statements.

An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, (i) the Statement of Sources and Uses of Funds and the Statement of Expenditures are prepared in accordance with the ADB Loan Disbursement Handbook and receipts and expenditures are supported by the primary documents, classified in accordance with expense category as stated in the loan agreement and present fairly; (ii) the proceeds of the loan were used only for the purposes of the project.


DALAIVAN AUDIT LLC
ULAANBAATAR
MONGOLIA

June 15, 2020

The Government of Mongolia
Asian Development Bank
Loan 3287-MON, 3288-MON (SF)
Agriculture and Rural Development Project-Additional Financing

AUDITED STATEMENT OF PROJECT SOURCES AND USES OF FUNDS
as at December 31, 2019

	In USD		
	Cumulative to Dec 31, 2018	For the reporting period 2019	Cumulative to Dec 31, 2019
SOURCES	39,208,807.36	14,746,324.05	53,955,131.41
ADB loan funds	28,628,491.81	11,672,437.14	40,300,928.95
ADB ADF Fund (VCI)	29,509.89	2,643,063.44	2,672,575.33
ADB OCR Fund (VCI)	27,284,188.98	6,606,923.07	33,891,112.05
ADB ADF Fund (Other)	1,304,821.36	2,419,807.68	3,724,629.04
Bank Interest earned	9,971.58	2,640.95	12,612.53
Government funds	10,580,315.55	3,073,886.91	13,654,202.46
GOM Funds	452,800.14	-	452,800.14
Revolving Fund	7,272,775.38	110,006.18	7,382,781.56
Deposit Interest earned	1,341,076.94	765,640.26	2,106,717.20
Bank Interest earned	124,217.10	53,115.03	177,332.13
Other income	1,489.16	967.60	2,456.76
Revolving Fund: 39229-033	54,799.90	957,320.72	1,012,120.62
VCI Loan interest income	1,333,156.93	1,186,837.12	2,519,994.05
TOTAL SOURCES OF FUNDS	39,208,807.36	14,746,324.05	53,955,131.41
USES OF FUNDS			
ADB loan funds	26,598,746.08	12,912,464.23	39,511,210.31
Civil works	-	-	-
Consulting services	518,877.27	189,728.62	708,605.89
Equipment	47,382.94	846,420.85	893,803.79
Materials	-	480,859.02	480,859.02
ADF VCI Loans	-	2,108,972.28	2,108,972.28
OCR VCI Loans	24,611,478.52	7,601,672.10	32,213,150.62
Training	339,017.66	455,575.60	794,593.26
Project management expenses	298,753.30	94,164.50	392,917.80
Audit expense	10,381.51	7,600.00	17,981.51
Bank charges	94.06	406.98	501.04
Marketing & Brand development	8,672.19	126,473.73	135,145.92
Financial Charges	762,319.26	978,438.00	1,740,757.26
Transfer to ADB and GOM			
Imp.Account	-	2,620.50	2,620.50
Foreign exchange difference (Loss)	1,769.37	19,532.05	21,301.42
Government funds	1,254,616.51	4,874,529.73	6,129,146.24
Training	9,858.15	-	9,858.15
Consulting services	568.69	647.58	1,216.27

Additional financing of the agriculture and rural development project Loan number 3288 MON (SF) and 3287 MON as at December 31, 2019

Project management expenses	124,118.81	46,713.93	170,832.74
Bank charges	135.86	23.15	159.01
Equipment	110,098.01	-	110,098.01
Marketing & Brand development	6,081.16	-	6,081.16
Local Taxes and Duties	12,647.70	-	12,647.70
Transfer of Gov't Funds to Treasury	-	4,580,596.46	4,580,596.46
Foreign exchange difference (Loss)	991,108.13	246,548.61	1,237,656.74
TOTAL USES OF FUNDS	27,853,362.59	17,786,993.96	45,640,356.55
Surplus of receipts over expenditure	11,355,444.77	(3,040,669.91)	8,314,774.86

Prepared and reviewed by:


D. Badruun
Project Director


J. Tuiyshinsanaa
Project Coordinator

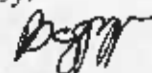

Z. Ariuntsaiseg
Project Accountant

The Government of Mongolia
Asian Development Bank
Loan 3288-MON (SF)
Agriculture and Rural Development Project-Additional Financing
AUDITED ADF STATEMENT OF EXPENDITURES (ADF SOEs)
as at December 31, 2019


	Civil works	Equipment and materials	Consulting services	Value chain investment	Training	Marketing, brand development	Project management	Additional advance	Interest	Total (USD)
WA A0011		30,620.72	47,642.78		55,818.51	13,534.72	18,830.05			156,446.78
WA A0012								245,281.04		245,281.04
WA A0013		22,957.88	79,139.93		178,791.28	7,529.50	46,609.21			335,107.80
WA A0014		53,973.37	47,375.10		112,928.90	70,278.14	22,110.07			306,665.58
WA A0015*		-	15,570.81		108,036.91	35,331.37	14,550.71			173,189.80
B0001		40,974.10								40,974.10
B0002		192,893.83								192,893.83
B0003		63,896.37								63,896.37
B0004		81,862.94								81,862.94
B0005		158,385.83								158,385.83
B0006		287,174.66								287,174.66
B0007		234,474.77								234,474.77
B0008		71,415.09								71,415.09
B0009		45,755.07								45,755.07
B0010		42,915.24								42,915.24
C0022				2,603,370.79						2,603,370.79
CAP									39,694.65	39,694.65
Total (USD)	-	1,327,279.87	189,728.62	2,603,370.79	458,575.60	126,473.73	102,100.04	245,281.04	39,694.65	5,089,504.34
Total reflected in LFRS	-	1,327,279.87	174,157.81	2,603,370.79	347,538.69	91,442.36	87,549.33	245,281.04	39,694.65	4,966,314.54
Difference	-	-	15,570.81	-	108,036.91	35,031.37	14,550.71	-	-	173,189.80

* At the end of 2019, the total amount credited and not yet claimed was USD173,189.80, this amount was claimed by WA A0015 on 14 May 2020.

Prepared and reviewed by:


D. Badruun
 Project Director


J. Fuvshinsanaa
 Project Coordinator


Z. Arinintsetseg
 Project Accountant


The Government of Mongolia
Asian Development Bank
Loan 3287-MON
Agriculture and Rural Development Project-Additional Financing

AUDITED OCR STATEMENT OF EXPENDITURES (OCR SOEs)
for the year 2019

In USD

No	Name of PPEs contract	SOE record	Total disbursement	Difference
1	Munkhbumaud LLC	363,883.60	363,883.60	-
2	Zavkhan Bayalag JSC	413,262.38	413,262.38	-
3	Best Shoes LLC	562,158.38	562,158.38	-
4	Jivertyn Orgil LLC	1,281,843.44	1,281,843.44	-
5	Natural Textile Group LLC	2,620,238.80	2,620,238.80	-
6	Erdmeat LLC	772,876.19	772,876.19	-
7	Natural Textile Group LLC	93,570.93	93,570.93	-
8	Erdmeat LLC	56,142.56	56,142.56	-
9	Efes Khuns LLC	402,275.19	402,275.19	-
10	Efes Khuns LLC	159,137.29	159,137.29	-
11	Trust Trade LLC	877,183.16	877,183.16	-
	Total	7,602,571.92	7,602,571.92	-

Prepared and reviewed by:


D. Badraun
Project Director


J. Tuyshimsanaa
Project Coordinator



Z. Ariuntsetseg
Project Accountant

The Government of Mongolia
Asian Development Bank
Loan 3288-MON
Agriculture and Rural Development Project-Additional Financing

AUDITED ADF STATEMENT OF EXPENDITURES (VCI-ADF SOEs)
for the year 2019

In USD				
No	Name of PPEs contract	SOE record	Total disbursement	Difference
1	Jigd Khuch LLC	242,625.13	242,625.13	-
2	Jur Ur LLC	597,231.09	597,231.09	-
3	Trust Trade LLC	1,269,116.06	1,269,116.06	-
Total		2,108,972.28	2,108,972.28	-

Prepared and reviewed by:


D. Badruun
Project Director




Z. Arimsetseg
Project Accountant

INDEPENDENT AUDITOR'S REPORT

To: J.TUVSHINSANAA
PROJECT COORDINATOR

ADDITIONAL FINANCING OF THE AGRICULTURE AND RURAL DEVELOPMENT PROJECT (LOAN NUMBER 3288 MON (SF) AND 3287 (MON))

We have audited the Imprest Account Statement for the year ended December 31, 2019 of **Additional financing of the Agriculture and Rural Development Project**, that was prepared within the loan agreement **Loan Number 3288 MON (SF) and 3287 (MON)** framework to support withdrawals.

We have conducted our audit in accordance with generally accepted auditing standards, on a test basis examined evidence documents that support the amounts and disclosures in Imprest Account Statement.

An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the Imprest Account Statement was prepared in accordance with the ADB Loan Disbursement Handbook, cash replenishment and liquidation of the Imprest Account are presented fairly.



DALAIVAN AUDIT LLC
ULAANBAATAR
MONGOLIA

June 15, 2020

The Government of Mongolia
Asian Development Bank
Loan 3288-MON (SF)
Agriculture and Rural Development Project-Additional Financing

AUDITED IMPREST ACCOUNT STATEMENT (BOM - 3430403015)
as at December 31, 2019

	2018.12.31 USD	2019.12.31 USD
Part A - Account transactions		
Beginning balance	-	-
Add:		
Total amount deposited current year	-	2,603,370.79
From sub account	-	-
Bank interest earned	-	-
Deduct:		
Total amount withdrawn	-	-
Transferred to sub-account (USD)	-	2,410,205.82
Transfer to ADB	-	-
Bank charges	-	-
Ending balance	-	193,164.97
Part B - Account reconciliation		
Amount advanced by the ADB	-	-
Balance of Imprest Account at the end of the year	-	193,164.97
Add:		
Liquidation of balance of imprest account	-	-
Amount withdrawn and not yet claimed	-	-
Amount claimed and not yet credited	-	-
Bank charge	-	-
Foreign exchange loss	-	-
Balance of Sub-account	-	-
Transfer to ADB	-	-
Deduct:		
Interest earned	-	-
Total advance transferred to Imprest account.	-	193,164.97

Prepared and reviewed by:


D. Badruun
 Project Director


J. Tuvshinsanaa
 Project Coordinator



Z. Aruntsetseg
 Project Accountant

The Government of Mongolia
Asian Development Bank
Loan 3287-MON
Agriculture and Rural Development Project-Additional Financing

AUDITED IMPREST ACCOUNT STATEMENT (BOM - 3430403014)
as at December 31, 2019

	2018.12.31 USD	2019.12.31 USD
Part A - Account transactions		
Beginning balance	2,212,304.12	1,939,901.09
Add:		
Total amount deposited current year	9,907,333.38	5,668,179.72
From sub account	-	-
Bank interest earned	-	-
Deduct:		
Total amount withdrawn	-	-
VCI Loan transferred	10,179,736.41	7,605,075.49
Transfer to ADB	-	-
Bank charges	-	-
Ending balance	1,939,901.09	3,005.32
Part B - Account reconciliation		
Amount advanced by the ADB		
Balance of Imprest Account at the end of the year	1,939,901.09	3,005.32
Add:		
Liquidation of balance of imprest account	-	-
Amount withdrawn and not yet claimed	-	-
Amount claimed and not yet credited	-	-
Bank charge	-	-
Foreign exchange loss	-	-
Balance of Sub-account	-	-
Transfer to ADB	-	-
Deduct:		
Interest earned	-	-
Total advance transferred to Imprest account.	1,939,901.09	3,005.32

Prepared and reviewed by:


D. Badruun
Project Director




Z. Ariunsetseg
Project Accountant

The Government of Mongolia
Asian Development Bank
Loan 3288-MON (SF)
Agriculture and Rural Development Project-Additional Financing

AUDITED IMPREST ACCOUNT STATEMENT
(State bank 106000037032)
as at December 31, 2019

	2018.12.31 USD	2019.12.31 USD
Part A - Account transactions		
Beginning balance	141,213.71	59,851.06
Add:		
Total amount deposited current year	489,439.18	1,200,059.78
Bank interest earned	1,785.75	2,618.77
Deduct:		
Total amount withdrawn	187,583.42	102,423.64
Transferred to sub-account (USD)	305,960.78	-
Transferred to Treasury account (MNT)	-	545,777.65
Transferred to sub-account (MNT)	79,003.38	318,616.42
Transfer to ADB	-	-
Bank charges	40.00	406.98
Closing of account	-	2,618.77
Ending balance	59,851.06	292,686.15
Part B - Account reconciliation		
Amount advanced by the ADB	228,295.07	473,576.11
Balance of Imprest Account at the end of the year	59,851.06	292,686.15
Add:		
Liquidation of balance of imprest account	-	-
Amount claimed and not yet credited	146,558.56	173,189.80
Bank Charges	94.06	501.04
Ending balance of MNT Account No.100900011912 at Treasury	-	292,676.04
Ending balance of USD Account No.106000037041 State Bank	29,275.72	-
Ending balance of MNT Account No.104900067747 State Bank	709.63	1,55
Ending balance of MNT Account No. 100900011809 Treasury	-	10,239.22
Ending balance of USD Petty cash	-	-
Ending balance of MNT Petty cash	8.25	7.94
Transfer to ADB	-	-
Interest income allocation	-	2,620.50
Foreign exchange difference (Loss)	1,769.37	6,929.34
Deduct:		
Bank interest earned	9,971.58	12,612.53
ADF VCI remaining at No.100900011912 *	-	292,662.94
Foreign exchange difference (Gain)	-	-
Other income	-	-
Total advance transferred to Imprest account.	228,295.07	473,576.11

*USD 292,662.94 (MNT 800,000,000.00) is the remaining VCI amount for Trust Trade LLC sub-loan to be paid from ADB Imprest account at the Bank of Mongolia.

Prepared and reviewed by:



D. Badruun
Project Director



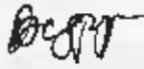
Z. Ariuntsetseg
Project Accountant

The Government of Mongolia
Asian Development Bank
Loan 3288-MON (SF)
Agriculture and Rural Development Project-Additional Financing


AUDITED USD SUB-ACCOUNT STATEMENT
(State bank 106000037041)
as at December 31, 2019

	2018.12.31 USD	2019.12.31 USD
Account transactions		
Beginning balance	2,567.26	29,275.72
Add:		
Transferred from Imprest account (State bank 106000037032)	305,960.78	
Bank interest earned	347.68	20.45
Transferred from Sub-account (State bank 104900067747)		
Deduct:		
Total amount withdrawn		
Transferred to MNT Sub-account at State bank (104900067747)	88,800.00	13,396.17
Consulting Services	190,800.00	15,900.00
Transferred to USD petty cash		
Bank charge		
Ending balance	29,275.72	0.00

Prepared and reviewed by:


D. Badrann
Project Director



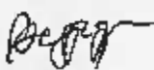

Z. Ariuntsetseg
Project Accountant

The Government of Mongolia
Asian Development Bank
Loan 3288-MON (SF)
Agriculture and Rural Development Project-Additional Financing

AUDITED USD SUB-ACCOUNT STATEMENT
(State bank 104900067747)
as at December 31, 2019

	2018.12.31	2019.12.31
	USD	USD
Account transactions		
Beginning balance	94.66	709.63
Add:		
Replenishment from Imprest Account (State bank)	77,660.13	9,156.07
Replenishment from Operational Account (State bank-USD)	88,676.91	2,173.19
Bank interest earned	71.38	1.73
Deduct:		
Transferred to cash on hand (MNT)	37,097.59	5,466.23
Transferred to MNT Sub-account at Treasury (100900011110)	94.62	-
Training (RID, VCI, PMU)	43,080.91	1,578.80
Project Management expenses		
PMU staff remuneration	60,294.35	4,725.09
Communication expenses	3,295.57	178.77
Advertisement expenses	2,472.41	-
Office supplies	1,948.97	87.72
Field trips	2,178.54	-
Transportation expenses (fuel)	7,609.85	-
Transport repair, service & garage expenses	7,302.29	-
Other expenses	198.84	-
Bank Charges		1.73
Foreign exchange difference (Loss)	219.51	0.73
Ending balance	709.63	1.55

Prepared and reviewed by:


D. Badruun
 Project Director


D. Tuvshinsanaa
 Project Coordinator

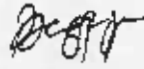

Z. Ariuntsetseg
 Project Accountant

The Government of Mongolia
Asian Development Bank
Loan 3288-MON (SF)
Agriculture and Rural Development Project-Additional Financing

AUDITED CASH ON HAND (USD)
as at December 31, 2019

	2018.12.31 USD	2019.12.31 USD
Account transactions		
Beginning balance	-	-
Add:		
Transferred from USD Sub-account at State bank (106000037041)	-	-
Other income	-	
Deduct:		
Transferred to cash on hand (MNT)	-	-
Marketing and Brand development expenses	-	-
Training (PMU)	-	-
Consulting services (PMU)	-	-
Ending balance	-	-

Prepared and reviewed by:


D. Badruun
Project Director




Z. Ariuntsetseg
Project Accountant

The Government of Mongolia
Asian Development Bank
Loan 3288-MON (SF)
Agriculture and Rural Development Project-Additional Financing

AUDITED CASH ON HAND (MNT)
as at December 31, 2019

	2018.12.31 USD	2019.12.31 USD
Account transactions		
Beginning balance	0.94	8.25
Add:		
Transferred from MNT Sub-account at State bank (104900067747)	37,097.61	5,466.23
Other income	-	-
Foreign exchange difference (Gain)	-	1.79
Deduct:		
Marketing and Brand development expenses		
Training	23,608.51	4,290.99
Project Management expenses		
Communication expenses	282.98	39.45
Advertisement expenses	204.10	-
Office supplies	5,538.56	490.51
Field trips	3,092.00	233.29
Transportation expenses (fuel)	-	-
Transport repair, service & garage expenses	733.06	85.67
Other expenses	3,605.96	328.42
Foreign exchange difference (Loss)	25.13	-
Ending balance	8.25	7.91

Prepared and reviewed by:


D. Badruun
Project Director



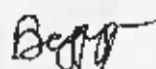

Z. Ariuntsetseg
Project Accountant

The Government of Mongolia
Asian Development Bank
Loan 3287-MON, 3288-MON (SF)
Agriculture and Rural Development Project-Additional Financing

AUDITED STATEMENT OF REVOLVING FUND ACCOUNT
Ulaanbaatar City Bank - 2600066567 USD
as at December 31, 2019

	2018.12.31 USD	2019.12.31 USD
Account transactions		
Beginning balance	100,517.59	38,738.27
Add:		
Transferring funds from ARDP	-	
VCI Loan repayment	150,000.00	37,500.00
Loan repayment	-	-
Bank interest earned	1,646.46	861.32
Other income	-	-
Deduct:		
Transferred to the BOM Imprest Account		
Transferred to Operational Accounts	213,419.41	-
Bank Charges	6.37	5.99
Ending balance	38,738.27	77,093.60

Prepared and reviewed by:


D. Badrun
Project Director



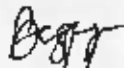

Z. Arimsetseg
Project Accountant

The Government of Mongolia
Asian Development Bank
Loan 3287-MON, 3288-MON (SF)
Agriculture and Rural Development Project-Additional Financing

AUDITED STATEMENT OF REVOLVING FUND ACCOUNT
Ulaanbaatar City Bank - 2600066556 MNT
as at December 31, 2019

	2018.12.31 USD	2019.12.31 USD
Account transactions		
Beginning balance	404,689.84	33,378.55
Add:		
Transferring funds from ARDP	-	-
VCI Loan repayment	253,410.86	72,506.18
VCI Loan interest income	17,123.21	3,068.61
Other income	171.74	-
Foreign exchange difference (Gain)	-	-
Deduct:		
Transferred to the BOM Imprest Account	-	-
Transferred to Operational Accounts	605,947.06	-
Bank Charges	6.37	5.99
Foreign exchange difference (Loss)	36,063.67	3,659.39
Ending balance	33,378.55	105,287.96

Prepared and reviewed by:


D. Badruun
Project Director



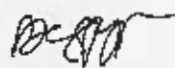

Z. Ariuntsetseg
Project Accountant

The Government of Mongolia
Asian Development Bank
Loan 3287-MON, 3288-MON (SF)
Agriculture and Rural Development Project-Additional Financing


AUDITED STATEMENT OF DEPOSIT ACCOUNT
Ulaanbaatar City Bank - 2600095895 USD
as at December 31, 2019

	2018.12.31 USD	2019.12.31 USD
Account transactions		
Beginning balance	1,400,115.00	1,700,000.00
Add:		
From Revolving Fund account	1,700,000.00	-
Bank interest earned	86,466.88	93,500.00
Other income		
Deduct:		
Transferred to the BOM Imprest Account	-	-
Transferred to Deposit account at State bank	1,486,580.59	-
106000061113 USD		
Bank Charges	1.29	-
Ending balance	1,700,000.00	1,793,500.00

Prepared and reviewed by:


D. Badruun
Project Director




T. Tuvshinsanaa
Project Coordinator


Z. Aruntsetseg
Project Accountant

The Government of Mongolia
Asian Development Bank
Loan 3287-MON, 3288-MON (SF)
Agriculture and Rural Development Project-Additional Financing

AUDITED STATEMENT OF DEPOSIT ACCOUNT
Ulaanbaatar City Bank - 2600095894 MNT
as at December 31, 2019

	2018.12.31 USD	2019.12.31 USD
Account transactions		
Beginning balance	1,236,027.74	1,906,981.67
Add:		
From Revolving Fund account	1,965,341.36	-
Bank interest earned	201,559.35	278,357.05
Foreign exchange difference (Gain)		
Deduct:		
Transferred to the BOM Imprest Account	-	-
Transferred to Deposit account at State bank	1,369,621.97	-
1060000061113 USD		
Bank Charges	0.99	-
Foreign exchange difference (Loss)	126,323.82	66,839.50
Ending balance	1,906,981.67	2,118,499.22

Prepared and reviewed by:


D. Badruun
Project Director



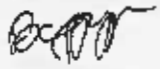

Z. Arimntsetseg
Project Accountant

The Government of Mongolia
Asian Development Bank
Loan 3287-MON, 3288-MON (SF)
Agriculture and Rural Development Project-Additional Financing

AUDITED STATEMENT OF GOV'T ACCOUNT
(State Bank: 104900062938 - USD)
as at December 31, 2019

	2018.12.31	2019.12.31
	USD	USD
Account transactions		
Beginning balance	39,816.33	40,811.74
Add:		
Income from BOM Imprest Account	-	-
Income from Imprest Account	-	-
Bank interest earned	995.41	173.31
Other income	-	-
Deduct:		
Marketing and Brand development expenses	-	-
Training	-	-
Consulting Services	-	-
Project Management expenses	-	-
Closing of account	-	40,985.05
Ending balance	40,811.74	-

Prepared and reviewed by:


D. Badruun
 Project Director




Z. Arinutsetseg
 Project Accountant

The Government of Mongolia
Asian Development Bank
Loan 3287-MON, 3288-MON (SF)
Agriculture and Rural Development Project-Additional Financing

AUDITED STATEMENT OF GOV' SUB-ACCOUNT
(State Bank: 104900063340 - USD)
as at December 31, 2019

	2018.12.31 USD	2019.12.31 USD
Account transactions		
Beginning balance	156.32	158.20
Add:		
Income from Gov't Imprest Account (SB 104900062938)	-	-
Bank interest earned	1.88	0.32
Other income	-	-
Deduct:		
Transferred to cash on hand (MNT)	-	-
Marketing and Brand development expenses	-	-
Training	-	-
Consulting Services	-	-
Equipment	-	-
Project Management expenses	-	-
Closing of account	-	158.52
Ending balance	158.20	-

Prepared and reviewed by:


D. Badruun
Project Director



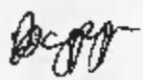

Z. Aruntsetseg
Project Accountant

The Government of Mongolia
Asian Development Bank
Loan 3287-MON, 3288-MON (SF)
Agriculture and Rural Development Project-Additional Financing

AUDITED STATEMENT OF GOV'T SUB-ACCOUNT
(State Bank: 104900063354 - MNT)
as at December 31, 2019

	2018.12.31 USD	2019.12.31 USD
Account transactions		
Beginning balance	11,452.18	11,146.11
Add:		
Income from Gov't Imprest Account (State bank)	-	-
Income from Gov't Sub-Account (State bank-USD)	-	-
Revenue from closing of ADB accounts	-	-
Bank interest earned	386.82	68.58
Other income	855.81	112.86
Foreign exchange gain/loss	-	32.61
Deduct:		
Transferred to cash on hand (MNT)		
Marketing and Brand development expenses	-	-
Training	-	-
Equipment	-	-
Project Management expenses		
PMU staff remuneration	-	-
Advertisement expenses		75.46
Other expenses	568.69	-
Bank Charges	3.93	-
Closing of account		11,284.70
Foreign exchange difference (Loss)	976.08	-
Ending balance	11,146.11	-

Prepared and reviewed by:


D. Badrurun
 Project Director




Z. Zinbatbayar
 Project Accountant

The Government of Mongolia
Asian Development Bank
Loan 3287-MON, 3288-MON (SF)
Agriculture and Rural Development Project-Additional Financing

AUDITED STATEMENT OF CASH ON HAND (MNT)
as at December 31, 2019

	2018.12.31 USD	2019.12.31 USD
Account transactions		
Beginning balance	2.12	1.94
Add:		
Replenishment from Sub-Account (State bank - USD)	-	-
Replenishment from Sub-Account (State bank - MNT)	-	-
Other income	-	-
Foreign exchange difference (Gain)	-	-
Deduct:		
Marketing and Brand development expenses	-	-
Training	-	-
Project Management expenses		
Communication expenses	-	-
Advertisement expenses	-	-
Office supplies	-	-
Electricity expenses	-	-
Office rent expenses	-	-
Field trips	-	-
Transportation expenses (fuel)	-	-
Transport repair, service & garage expenses	-	-
Other expenses	-	-
Foreign exchange difference (Loss)	0.18	0.06
Ending balance	1.94	1.88

Prepared and reviewed by:


D. Badruun
Project Director




Z. Ariuntsetseg
Project Accountant

The Government of Mongolia
Asian Development Bank
Loan 3287-MON, 3288-MON (SF)
Agriculture and Rural Development Project-Additional Financing

AUDITED STATEMENT OF DEPOSIT ACCOUNT

State Bank - 106000061.113 USD

as at December 31, 2019

	2018.12.31 USD	2019.12.31 USD
Account transactions		
Beginning balance	-	2,122,559.48
Add:		
From Revolving Fund account	3,605,712.69	-
Bank interest earned	3,427.38	116,518.33
Foreign exchange difference (Gain)	-	-
Deduct:		
Transferred to the BOM Imprest Account	-	-
Transferred to Deposit account at Ulaanbaatar city bank 2600095895 USD	1,486,580.59	-
Closing of account	-	2,239,075.60
Bank Charges	-	2.21
Foreign exchange difference (Loss)	-	-
Ending balance	2,122,559.48	-

Prepared and reviewed by:


D. Badruun
Project Director




Z. Ariuntsetseg
Project Accountant

The Government of Mongolia
Asian Development Bank
Loan 3287-MON, 3288-MON (SF)
Agriculture and Rural Development Project-Additional Financing

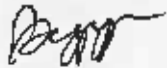
AUDITED STATEMENT OF DEPOSIT ACCOUNT

State bank - 106000061100 MNT

as at December 31, 2019

	2018.12.31 USD	2019.12.31 USD
Account transactions		
Beginning balance	-	1,865,123.92
Add:		
From Revolving Fund account	3,296,208.41	-
Bank interest earned	10,003.01	275,730.74
Foreign exchange difference (Gain)	-	-
Deduct:		
Transferred to the BOM Imprest Account	-	-
Transferred to Deposit account at Ulaanbaatar city bank 2600095894 MNT	1,359,394.30	-
Closing of account	-	2,089,456.59
Bank Charges	-	2.21
Foreign exchange difference (Loss)	81,693.20	51,395.86
Ending balance	1,865,123.92	-

Prepared and reviewed by:


D. Badruun
Project Director





Z. Ariuntsetseg
Project Accountant

The Government of Mongolia
Asian Development Bank
Loan 3287-MON, 3288-MON (SF)
Agriculture and Rural Development Project-Additional Financing


AUDITED STATEMENT OF GOV SUB-ACCOUNT
(State Bank: 106000061192 - MNT)
as at December 31, 2019

	2018.12.31	2019.12.31
	USD	USD
Account transactions		
Beginning balance	-	250,159.76
Add:		
Income from Gov't Imprest Account (Chingis Khan Bank 5101000296)	257,419.45	-
Bank interest earned	2,249.53	1,534.14
Other income	-	-
Foreign exchange difference (Gain)	-	719.54
Deduct:		
Transferred to Gov't MNT Sub-account	-	59,925.52
Project Management expenses		
Bank Charges	-	-
Closing of account	-	192,487.92
Foreign exchange difference (Loss)	9,509.22	-
Ending balance	250,159.76	-

Prepared and reviewed by:


D. Badruun
 Project Director



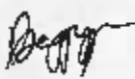

Z. Ariuntsetseg
 Project Accountant

The Government of Mongolia
Asian Development Bank
Loan 3287-MON, 3288-MON (SF)
Agriculture and Rural Development Project-Additional Financing

AUDITED STATEMENT OF GOV' SUB-ACCOUNT
(State bank: 340101938272 - MNT)
as at December 31, 2019

	2018.12.31 USD	2019.12.31 USD
Account transactions		
Beginning balance	-	31,208.30
Add:		
Income from Gov't Imprest Account (Chingis Khan Bank 5101000296)	73,292.63	-
Bank interest earned	1,105.29	172.14
Other income	-	-
Foreign exchange difference (Gain)	-	73.93
Deduct:		
Transferred to Gov't MNT Sub-account	-	3,904.18
Project Management expenses		
Social security contributions	5,472.68	590.64
Office rent	33,316.44	3,297.03
Bank charge	-	-
Closing of account		23,662.52
Foreign exchange difference (Loss)	4,400.50	-
Ending balance	31,208.30	-

Prepared and reviewed by:


D. Badruun
Project Director



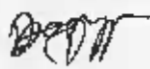

Z. Aiumsetseg
Project Accountant

**The Government of Mongolia
Asian Development Bank
Loan 3287-MON, 3288-MON (SF)
Agriculture and Rural Development Project-Additional Financing**

**AUDITED STATEMENT OF REVOLVING FUND ACCOUNT
National Investment Bank -2999005481 MNT
as at December 31, 2019**

	2018.12.31 USD	2019.12.31 USD
Account transactions		
Beginning balance	234,322.32	594,375.71
Add:		
Transferring funds from ARDP		
VCI Loan repayment	29,890.85	168,186.39
VCI Loan interest income	354,399.58	270,153.12
Bank interest income	16,206.11	26,026.18
Other income-fines	4.21	-
Foreign exchange difference (Gain)	-	-
Deduct:		
Transferred to the BOM Imprest Account	-	-
Transferred to Operational Accounts	-	105,530.94
Bank Charges	-	-
Foreign exchange difference (Loss)	40,447.36	31,371.47
Ending balance	594,375.71	921,838.99

Prepared and reviewed by:


D. Badruun
Project Director





Z. Arimjsetseg
Project Accountant

The Government of Mongolia
Asian Development Bank
Loan 3287-MON, 3288-MON (SF)
Agriculture and Rural Development Project-Additional Financing

AUDITED STATEMENT OF REVOLVING FUND ACCOUNT
Chinggis Khan Bank -5101000198 MNT
as at December 31, 2019

	2018.12.31 USD	2019.12.31 USD
Account transactions		
Beginning balance	251,668.02	731,055.37
Add:		
Transferring funds from ARDP		
VCI Loan repayment	24,909.05	696,372.14
VCI Loan interest income	494,296.21	842,390.28
Bank interest income	7,875.16	22,744.57
Other income-fines	-	21.97
Deduct:		
Transferred to the BOM Imprest Account	-	-
Transferred to Operational Accounts	-	-
Bank Charges	7.26	6.75
Foreign exchange difference (Loss)	47,685.81	56,329.95
Ending balance	731,055.37	2,236,247.63

Prepared and reviewed by:


D. Badruun
Project Director


J. Tuvshinsanaa
Project Coordinator



Z. Ariunsetseg
Project Accountant

The Government of Mongolia
Asian Development Bank
Loan 3287- MON, 3288 MON (SF)
Agriculture and Rural Development Project-Additional Financing

AUDITED STATEMENT OF MNT SUB-ACCOUNT AT TREASURY
(Treasury-100900011939)
as at December 31, 2019

	2018.12.31	2019.12.31
	USD	USD
Account transactions		
Beginning balance	-	-
Add:		
Transferred from MNT sub-account (BOM 3430403014)	-	7,605,075.52
Replenishment from Operational Account (National investment bank 2999005481)	-	105,552.03
VCI Sub-Loan interest income	-	74,293.72
VCI Sub-Loan principal repayment		92,762.19
Deduct:		
VCI Loans	-	7,601,672.10
Foreign exchange difference (Loss)	-	5,486.97
Ending balance	-	270,524.39

Prepared and reviewed by:


D. Badruun
 Project Director



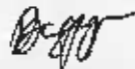

Z. Arumsetseg
 Project Accountant

**The Government of Mongolia
Asian Development Bank
Loan 3287 MON, 3288-MON (SF)
Agriculture and Rural Development Project-Additional Financing**

**AUDITED STATEMENT OF MNT SUB-ACCOUNT AT TREASURY
(Treasury-100900011912)
as at December 31, 2019**

	2018.12.31 USD	2019.12.31 USD
Account transactions		
Beginning balance	-	-
Add:		
Transferred from MNT sub-account (State bank 106000037032)	-	575,797.66
Transferred from MNT sub-account (BOM 3430403015)	-	2,410,205.82
Deduct:		
Transferred from MNT sub-account (State bank 104900067747)	-	1,579.19
VCI Loans	-	2,108,972.28
Marketing and Brand development expenses	-	119,128.41
Training	-	341,187.36
Works, Equipment & Materials	-	107,531.97
Project Management expenses		
PMU staff remuneration	-	-
Communication expenses (internet and handphone)	-	2,176.96
Advertisement expenses	-	454.25
Car insurance	-	1,309.38
Foreign exchange difference (Loss)	-	10,987.64
Ending balance	-	292,676.04

Prepared and reviewed by:


D. Badruun
Project Director





Z. Ariuntsetseg
Project Accountant

The Government of Mongolia
Asian Development Bank
Loan 3287 MON, 3288 MON (SF)
Agriculture and Rural Development Project-Additional Financing

AUDITED STATEMENT OF MNT SUB-ACCOUNT AT TREASURY
(Treasury-100900011809)
as at December 31, 2019

	2018.12.31	2019.12.31
	USD	USD
Account transactions		
Beginning balance	-	-
Add:		
Transferred from MNT sub-account (State bank 104900067747)	-	4,193.73
Transferred from MNT sub-account (State bank 106000037032)	-	287,284.53
Deduct:		
Transferred from MNT sub-account (State bank 104900067747)	-	594.00
Training	-	21,040.13
Consulting Services	-	173,828.62
Project Management expenses		
PMU staff remuneration	-	53,933.74
Communication expenses (internet and handphone)	-	2,901.59
Advertisement expenses	-	2,066.14
Office supplies	-	3,729.85
Field trips	-	6,630.30
Transportation expenses (fuel)	-	5,176.86
Transport repair, service & garage expenses	-	7,318.62
Other expenses	-	2,297.89
Foreign exchange difference (Loss)	-	1,721.30
Ending balance	-	10,239.22

Prepared and reviewed by:


D. Badruum
Project Director





Z. Ariuntsetseg
Project Accountant

**The Government of Mongolia
Asian Development Bank
Loan 3287-MON, 3288-MON (SF)
Agriculture and Rural Development Project-Additional Financing**

**AUDITED STATEMENT OF MNT SUB-ACCOUNT AT TREASURY
(Treasury-100900011606 GOV)
as at December 31, 2019**

	2018.12.31	2019.12.31
	USD	USD
Account transactions		
Beginning balance	-	-
Add:		
Income from Revolving Fund Account	-	4,384,758.54
Other income	-	832.77
Deduct:		
Transferred to Sub-Account for Social contributions (MNT)		
Consulting services	-	647.58
Project Management expenses		
Social Security Contribution	-	6,737.27
Office rent expenses	-	36,013.53
Transfer to Treasury	-	4,312,017.75
Foreign exchange difference (Loss)	-	30,175.18
Ending balance	-	-

Prepared and reviewed by:


D. Badruun
Project Director




Z. Ariuntsetseg
Project Accountant

1. PROJECT BACKGROUND

On October 28, 2015, The Government of Mongolia (GoM) entered into two loan agreements (Loan Number 3287-MON and 3288-MON (SF)) with the Asian Development Bank (ADB) to lend to the Borrower from ADB's Special Funds resources an amount in various currencies equivalent to Special Drawing Rights (SDR) 10,719,000 and \$35,000,000 from ADB's ordinary capital resources, respectively, for the purpose of funding the Additional Financing of the Agriculture and Rural Development Project (the Project). Each loan agreement went into effect on a date 90 days after the date of the loan agreement. Loan agreement is expected to be completed by June 30, 2021.

The objective of the Project is to increase value addition on Mongolian agricultural resources. The Project outputs comprise:

Output 1. Financing of Value Chain Investments

This output comprises of: (a) preparation of value chain investment proposals; (b) due diligence of sub-projects; (c) provision of Sub-loans to Participating Enterprises to improve their value chains and/or to enhance their production and productivity; and (d) capacity development within Participating Banks and Participating Enterprises in the area of financial management, value chain development and social and environmental safeguards accordingly.

Output 2. Improvement of Production Capacity of Herders and Farmers

This output comprises: (a) capacity development of herders, farmers and primary processors of agricultural products; (b) provision of veterinary medical supplies, equipment, machinery, material and inputs for herders, farmers and primary processors of agricultural products; and (c) construction of livestock primary processing facility.

Output 3. Improvement of Marketing and Technical Capacity of Participating Enterprises

This output comprises: (a) marketing and technical capacity development of the Participating Enterprises to enable them to produce and deliver high value and/or quality products to domestic and international markets; and (b) provision of equipment and capacity development of technical and research institutes dealing with food and agriculture products.

Output 4. Development of Mongolian Product Brand(s)

This output comprises (a) brand development of export-oriented products, and (b) promotion and management of brand(s) developed and/or to be developed under the Project.

The Ministry of Finance, as the Executing Agency (EA) has overall accountability and responsibility for project planning, management, and implementation. Specifically, it has direct accountability and responsibility for implementation of output 1 and the project management. The Ministry of Food, Agriculture and Light Industry is the Implementing Agency (IA) that is responsible for the project outputs 2, 3 and 4.

The Project Management Unit (PMU)'s main duties are to assist the EA and IA in project planning and implementation, including consultant recruitment, procurement, and financial management as well as monitoring the project implementation. Under output 1, PMU (i) collaborates with the project participating banks (PPBs) to recruit and select project participating enterprises (PPEs); (ii) conducts training and provides advices to companies and cooperatives; (iii) conducts assessment and analysis PPEs' value chain investment proposals, as well as financial, business, environmental, and social due diligence for VCI proposals in consultation with relevant government agencies and ADB; (iv) submits and presents assessments of qualified sub-projects to ADB and Project Steering Committee for approval and financing, and (v) conducts monitoring and an assessment on the ongoing sub-projects.

The table shows the comparison between ADF loan proceeds and cumulative expenditures as of December 31, 2019.

No.	Item	Total Amount Allocated for ADB Financing (USD)	Total expenditures cumulative to Dec 31, 2019 (USD)	Disbursement %
1	Works	234,465	-	0%
2	Equipment and Materials	2,536,033	1,374,663	54.2%
3	Consulting services	843,000	708,606	84.1%
4	Value Chain Investments	8,300,000	2,108,972	25.4%
5	Training	1,072,441	794,593	74.1%
6	Marketing and Brand Development	502,332	135,146	26.9%
7	Project Management	767,837	411,400	53.6%
8	Interest	743,892	69,205	9.3%
	Total	15,000,000	5,602,585	37.4%

The table shows the comparison between ADB OCR loan proceeds and cumulative expenditures as of December 31, 2019.

No.	Item	Total Amount Allocated for ADB Financing (USD)	Total expenditures cumulative to Dec 31, 2019 (USD)	Disbursement %
1	Value Chain Investments	32,950,000	32,213,151	97.76%
2	Interest and commitment charges	2,050,000	1,671,553	81.54%
	Total	35,000,000	33,884,703	96.81%

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2. PROJECT IMPLEMENTATION PROGRESS

The following activities are implemented in 2019 reporting period.

Output 1. VCI financed. Under this output PMU has done the following:

A. Capacity development of the project participating banks

- (i) The PMU introduced the project to officers of 5 Project Participating Banks (PPB) by joining seminars or centralized trainings they organized or conducted for their officers as well as introduced the project to officers at branches during PMU visits to rural areas. For the period, this audit covers, the Value Chain Development Investment (VCI) team has introduced the Project to 26 officers of Xacbank, 46 officers from Ulaanbaatar City Bank (UBCB) and about 50 officers at local branches of PPBs in Uvurkhangai, Govi-Altai, Bayankhongor aimags. The introduction is not pure information dissemination it has some training elements providing understanding and knowledge of key issues value chain development of sectors covered by the Project, tips for considerations required to explore value addition potential and looking for solutions and aspects the need to look into to see whether PPEs have developed a sound proposal, make judgment on projections and rationale behind assumptions for calculations and projections. Capacity building in the area of Social, Gender and Environment compliances was done in response to the request by the Risk Management Department of TDB. 25 officers from this Department were provided training in Social, gender and Environment (SGE) assessments and monitoring of SGE plan implementation and performance. During this training VCI team drew attention of the officers into how they could aim the Bank's policy at SGE compliance implementation and safeguard, possibilities of using safeguard assessment as leverage for borrowers and shared the Project experience. 10 face-to-face meetings were held with credit and customer relations officers from branches of Khan bank, TDB, UBCB and Golomt in UB to help them to improve quality of proposals, make sure completeness of files and supporting materials they send to ARDP PMU and provided customized advices to each of them.
- (ii) PMU organized consultative meetings with 5 PPBs to share experience and lessons learnt since the Project start and exchanged idea to give priority to small businesses for the rest of the Project duration. In response to the request from PPBs, Guiding Tips for officers were developed and delivered. They include issues faced by the sectors, covered by the Project in the Value Chain development and tips for assessing the proposed solutions and development by PPEs, required research for underlying assumption for plans, factors needed to closer look, requirements for validation and confirmation and ideas and lessons shared by PMU with regard to these issues.
- (iii) Provided feedback to 10 bankable proposals submitted by PPBs.
- (iv) PMU staff has met 32 enterprises with established businesses in other sectors, but plan to establish a start-up business in agricultural sector, PMU also met 10 small businesses in rural areas recommended by PPBs.
- (v) PMU has received 8 more bankable proposals approved by the banks' Credit Committees, full assessments of 15 proposals were completed, business and financial assessments of 1 proposal were completed and presented to PSC, and the PSC rejected 4 of them.
- (vi) Loan repayment monitoring of 12 sub-projects financed at the project's first stage was conducted jointly with PPB and all were fully repaid and there is no delays and failures in repayment by PPEs received loans with additional financing.
- (vii) sub-projects implementation monitoring approved in 2016-2019, was conducted by the PPB's local branch of Khan and Golomt Bank as the subprojects implemented in the remote province and reports received.
- (viii) PMU has reviewed prudential ratios of PPBs submitted to ADB. Non-performing loan ratio of 2 PPBs exceeded the rate agreed in the OLA and this was addressed to the PSC and ADB. As Golomt Bank has improved it within shorter period so this PPB continues submitting applications but receipt from TDB was stopped.

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B. Capacity development of project participating enterprises

- (i) PMU conducted introductory seminars with training elements in Bayankhongor, Govi-Altai, Uvurkhangai provinces. 77 participants, including representatives from 33 PPEs, others from private businesses and local administration and relevant organizations in Uvurkhangai province, representatives from 36 companies and 22 representatives from the local administration including livestock specialists and SME development coordination in Bayankhongor, 47 representatives from local companies and cooperatives, 8 representatives from the local administration in Govi-Altai attended these seminars. During visits to these provinces PMU consultants visited from 2 to 6 businesses in each province and shared or exchanged their ideas about competitive advantages of the province, that may include local raw materials to make differentiated products to become an important player of the sector they are in, and gave advice on how to develop quality bankable proposal.
- (ii) PMU has received 16 bankable proposals approved by the banks' Credit Committees, full assessment of 15 proposals was completed, and business and financial assessments of 1 proposal was completed. Out of these assessed subprojects 4 were rejected by PSC, among them 1 was approved by ADB. During the assessments there were some changes in the processes due to Government (SME funding regulation) as well as PSC decisions (instead of making presentation on outline proposal of PPEs business and financial analysis were asked to be presented for the BPs approved by ADB) which led to working back again on the same BPs.
- (iii) For the reporting period, PMU staff has met and provided instructions to 48 businesses recommended by PPEs or approached privately to seek advice from PMU.
- (iv) Sub-project implementation briefings held with 12 PPEs. This includes discussion of issues the consultants found critical and needed attention during their fact-finding visits and the company's assessment and provided advice on implementation, explaining the reporting and monitoring system and tools the PMU will use for monitoring. A reminder note, which includes recommendations by PMU consultants and specific actions and consideration for management was produced and delivered.
- (v) PMU has monitored implementation progress of 33 sub-projects financed under the additional phase. There were no cases with serious delay in implementation, repayment delinquencies, non-authorized utilization of financing and overall implementation of sub-projects have been as planned.
- (vi) Spot visits for monitoring purpose were made to 2 PPEs from meat sub-sector as follow up, 4 PPEs from other sub-sectors have revised implementation plans.
- (vii) For the purpose of assistance and collaboration with international consultants in marketing and branding, within the TA8960 Technical Assistance operations, PMU met with management of 7 companies, provided recommendations on developing a marketing strategic plans.
- (viii) During the assignment of the International meat expert under the TA8960 project, business consultant and VCI coordinator provided assistance in the discussions provided with all meat processing companies financed with additional financing, accompanying visits to PPEs, helped PPEs to improve awareness about potential in the meat market of China. PMU also assisted PPEs from fiber sector to present their products during the International Forum to launch Noble Fiber certification mark.

Output: As of 31 December 2019 in total, 37 subprojects were approved for financing, amounted at MNT 86,888,000.0 equal to USD 35,826,405.82, while MNT 86,088,300,000 equal to USD 34,322,122.90 was financed in accordance to the OLA. The financed sub-projects by sectors are as follows: wool and cashmere (fiber) - 12 PPEs sub-projects, leather - 3, apparel - 1, meat and meat processing - 7, dairy - 2, intensified farming - 4, fodder making - 1, vegetable canning and pickling - 1, wheat seed production - 2, beekeeping - 2, sea-buckthorn and natural berries - 2. 17 of these subprojects have been implemented in rural areas and 20 subprojects by PPEs operating in UB.

Output 2. Production capacity of herders and farmers improved;

Output 3. Enterprises' marketing and technical capacity improved;

Output 4. Mongolian product brand(s) developed.

This project activities started operations since 21st March, 2017 by the Technical Assistance (TA) team, financed by JFPR.

Food and light industry sector's Technical Advisory Units (TAU) were established by the MOFALP's State Secretary resolution for assistance related to project participating sectors, provision with professional consultation and guidance.

TA team along with TAU has defined directions for operational, training, research and investment plans for cooperating components and each sub-sector, received an approval for operational and financing plans.

Brief information per outputs:

Output 2. Production capacity of herders and farmers improved:

- Under this output, 13 trainings were organized for Participating enterprises, suppliers of raw materials and herder cooperatives, from the wool and cashmere, meat, dairy, skin and hide, bee-farming, sea-buckthorn sub-sectors. In total 566 participants attended these trainings, which covered food safety and animal health, good agriculture practices, primary processing of meat and skins and hides, operational and maintenance procedures of a fleshing and milk processing equipment, bee health and related veterinary service, sea-buckthorn harvesting technology and introduction of technology to use bee-colonies for pollination.
- Under the "Sorting of baby goat cashmere" pilot project 45 herder families from Ulaan-Uul soum, 48 from Arbulag, and 25 from Alag-Erdene soums of Khuvsgul aimag with total number of 118 households sorted cashmere by age and supply through cooperatives, according to sales contract. As a result more than 2 tons of sorted cashmere was supplied to "Jinst Murun" company.
- As a result of herder cooperation under the pilot experiment "Sorting of blue yak wool", 230 herder families from Ulaan-Uul soum, 71 from Arbulag, 442 from Alag-Erdene soums, totally 743 herders collected and sorted more than 11.4 tons of yak wool, of which 2.0 tons of blue yak wool. The Program aimed at increasing population of blue yak head, improvement of quality of yak down was approved by the local Council of Citizens representatives. Assistance was provided in the organizing data base maintenance which provides number of head, age, sex of yaks reared by 410 households in 3 bags (county units) and ear-making of yaks was done.
- Based on the outputs described in above 2 pilot projects a demonstration project "Product development and sample products meeting MNT standard" was implemented and new products under "Blue yak" and "Black goat" labels were made.
- Manuals "Technology of using bee colonies for pollination in agriculture", "Some zoophile and honey plants in Mongolia" were published and distributed to all beekeepers, agriculture farmers, trainers and veterinarians engaged in the pilot/demonstration projects and trainings. Research on "Ways to increase economic returns of bee keeping/farming" was conducted by a Consultant, who developed a handbook intended to equip with basic methods of bookkeeping, economic analysis for bee-keeping/farming businesses with glossaries, basic formats and forms for the beneficiaries.
- Guide of "Animal husbandry good practices" for herders, a manual "Good Practice of Animal Health" for veterinarians who work at private and public veterinary units were developed and published and distributed to target users.
- Handbooks "Good practices of milk supply for herders and small scale dairy farmers and herders engaged in milk production", "Good Agricultural Practices of Sea-buckthorn Farming", "Identification of harmful bugs and insects and ways to protect from them" and "Sea-buckthorn identification and selection of varieties" were developed and distributed to trainees.
- The contracted Service provider continues technical training on "Improving basic technologies required for raw material primary processing and supply chain".
- The contracted Service provider is continue to work on preparation of video tutorial and documentary film on "Preparation technology of hides and skins and supply of qualified raw materials" with the aim of improving herders and raw material suppliers' knowledge on primary treatment, sorting and proper storage in order to supply raw materials to meet standards of processing companies.
- Under this output, in 2019, procurement of fleshing machine, milk processing sets, tools and equipment to wool cooperative to support their production, beehive boxes and honeycombs for beehive valued at MNT733.6 million was made and supplied to target beneficiaries accordingly. When

procured goods were delivered to beneficiaries, instructions on operating procedures and advice proper maintenance, meeting hygiene of good quality raw material were provided.

Output 3. Enterprises' marketing and technical capacity improved:

- In the framework of enterprises' technical capacity improvement for project's targeted sub-sectors and development of national and international brand product, PPEs were selected based on the selection criteria, discussed and approved at the TAU meeting. In total 64 enterprises from 7 sub-sectors will participate in the project, and 35 enterprises were selected for product improvement.
- 14 capacity building and skills development trainings in wool and cashmere, leather, apparel, bee and sea-buckthorn sectors were provided to 383 trainees in 2019. These trainings are aimed to (i) develop their skills in marketing plan development in bee and sea-buckthorn sectors; (ii) apply new technology and operate new equipment and machinery, assist product development and designing new products, introducing production standards, train in clothing trading and identification of market opportunities, improve negotiation skills in apparel sector; (iii) technology training in leather processing quality standards; (iv) brand development and market analysis training in wool and cashmere sector; and (v) knitwear designing and build capacity of knitters and machine operators wool and cashmere sector.
- A Consultant was selected through open bidding to conduct a "Study of functional properties of the Mongolian pastoral livestock" and its work is ongoing. Outputs of this research will be basic data and features to serve basis for developing a quality standard of pasture based animal meat.
- "3D survey for Mongolian child body measure" survey is being conducted in Tuv, Khovd, Orkhon, Dornogovi, Sukhbaatar, Dornod provinces and Ulaanbaatar city, in which 9012 children in 1-12th classes were involved. The survey result has shown that weather condition and geography were the key factors for body size of children but no less important factor is lifestyle of children. Based on the outputs of the survey, clothing standards "MNS 4253-1:2019 Body shape typology classification and size of boys aged 6-18 years" and "MNS 4253-2:2019 Body shape typology classification and size of girls aged 6-18 years" were developed and approved.
- During the reporting period guidelines on "Developing technical specification of new products" and "Self-evaluation questionnaire for worldwide responsible accredited production (WRAP)" were developed.
- Goat and yak processed leather samples for school shoes using vegetable tanning and sample shoes made from the same sample leather were sent to the International testing Lab for final testing. The results of the Lab tests have shown that all characteristics of tanned leather such as tanning absorption, filling, and resistance to mechanical tearing, chrome and oxide ratio, PH met the international standard. All characteristics of shoes made of the same sample of the leather tested also have shown that except one, which is resistance of sole against abrasion, all meet the standard and meet health standard.
- Work under the contract "Updating of bee-honey analysis and certification standard" led to approval of "MNS 6294: 2019" on 4 March 2019. The standards "Requirements for Baby food and food for special needs" (CAC 72:818), "Rapid testing of milk and dairy products fat" (ISO2446:2008) were translated and submitted for approval to the National Metrology and Standardization Agency.
- On-the-job trainings and technical advice covering quality improvement of product finishing, how to ensure reliability of finished products, hot to meet requirements for wool and cashmere product, certified by MNF were provided to PPEs with focus on the specifics of them. As a result 4 manuals "Finishing process of knitwear made of Mongolia grown cashmere", "Finishing process of woven products made of Mongolia grown cashmere", "Dying of cashmere and wool", and "Quality assurance handbook" were developed.
- "Foreign market study on Mongolian meat customer's market: Middle East countries" survey was completed and submitted to MOFALI.
- Important research and experimental work such as "Training in International standards in the sea-buckthorn sector", "Study on cluster development including structure and value chain creation", "Study on the nutritional and health properties of sea-buckthorn products" are ongoing.
- During the reporting period, MNT 2.8 billion financing was made to strengthen laboratory technical capacity of the research institutes of fiber, apparel, bee, sea-buckthorn sectors by providing them with lab equipment, and frozen semen and embryo of high productivity livestock breeds.

Output 4. Mongolian product brand(s) developed.

- 35 companies in the wool and cashmere, skin and hide, apparel production, meat processing, bee-farming and sea-buckthorn production sub-sectors were selected to develop brand products for the national and international products.
- In 2019 5 trainings were conducted. 169 trainees received trainings in design for fit of clothes, producing bee honey, which meets export standard, in internal management system for an auditor, skills development training of bee-farmers and bee-keepers, introduction to the MNF standard in fiber sector and defining quality indicators of products which meet international customers.
- Work under the contract with Mongolian Food Processors Association to improve dairy products and milk standards and technical documents is ongoing. "MNS 0226:2019. Ice cream. Technical specification" has been newly developed and approved by the National Metrology and Standardization Agency of Mongolia. The standards "Requirements for Baby food and food for special needs" (CAC 72:818), "Rapid testing of milk and dairy products fat" (ISO2446:2008) were translated and submitted to the Metrology and Standardization Agency.
- Within the framework of the plan to develop and introduce MNF standard of woven and knitted products, the standard "MNT 6809:2019. Textile. Technical specification of knitted and woven products made of cashmere and yak down" was developed and approved on 30 December 2019. This standard applied from Jan 2020.
- Under the pilot project "Production of woolen fabric clothing" 14 end products made by 3 companies were assessed with regard to design, fit and comfort and provided advice regarding designing and improvement of design patterns. Further work includes selection of 3-4 products to make presentation on the International Trade Fair and deliver for mass production.
- "Offal meat" research was completed: Based on offal meat resource and consumption studies, technological solutions for prime processing of these by-products a new product with nutritional values containing 30-60% protein was developed. The research conclusion states: "Collagen rich jelly-type product packed in 100 grams has good biological value since the value of collagen is 18.2% in this tiny piece".
- International Forum "Mongolian Noble Fiber" was organized on 24 October 2019 by MOFALI, MWCA and ADB. 300 delegates were presented by international buyers, foreign embassies, herder cooperative, domestic processing and manufacturing companies, researchers, government and non-government organizations, international projects and programs. Forum achieved its goal to introduce Mongolian Noble Fiber certification mark to domestic and foreign customers successfully and now the next step of the work is to establish an institution, recognized as an authorized body to provide quality assurance of this mark, awarding the certification mark "Mongolian Noble Fiber" to cashmere exporting companies and to regularize marketing and advertising MNF in order to achieve recognition of cashmere produced in Mongolia in the international market and develop it further.
- The project sponsored participation of a team made of 6 representatives of the Bee sector in Mongolia in 46th Assembly "APIMONDIA-2019". The PPEs whose representatives went to this event presented 8 types of honey produced in Mongolia with marketing testing to visitors and participants at the Trade Fair organized within the Event. The samples of the bee-honey (Multi plan bee-honey harvested at Selenge and Khangai regions, bee-honey collected at open steppe and bee-honey harvested and packed by Mihachi LLC) they offered at the Fair were given for chemical residue identification analyses by Food Safety Lab attached to RANDOX food Diagnostics of the Research Institute, England. The test results have shown that all honey samples were free of chemical residues with regard to determination testing for sulphatidiazine, sulphatedimethocaine, tri-methoprime etc.
- TA supported and provided technical assistance to Khan Jims LLC to participate in the FOODEX JAPAN-2019 Trade Fair and their product received one of the Grand awards. The project provided support to print updated agricultural mapping to distribute to all agriculture farming companies.
- "Sea-buckthorn international market survey" and survey was completed and final report was submitted to MOFALI.
- Surveys and activities on "Diagnosis of Mongolian pasture animal milk's chemical and bio-chemical composition; development of functional foods" is ongoing.

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Project management activities.

For the reporting period PMU's staffing comprises the following staff and consultants:

No	Title	Type	Selection Method	Contract Date		Funding Source
				Start	Completion	
1	Project Coordinator	PMU/National consultant	ICS	2016.01.07	2020.12.31	ADB
2	VCI Coordinator	National consultant	ICS	2016.03.01	2020.12.31	ADB
3	Business Advisor	National consultant	ICS	2016.08.22	2020.12.31	ADB
4	Financial Analyst	National consultant	ICS	2016.03.01	2020.12.31	ADB
5	Social/gender consultant	National consultant	ICS	2016.03.01	2020.12.31	ADB
6	Environment consultant	National consultant	ICS	2016.03.01	2020.12.31	ADB
7	Accountant	PMU	ICS	2019.03.01	2020.02.28	ADB
8	Admin assistant	PMU	ICS	2019.02.01	2020.01.31	ADB
9	Monitoring and evaluation specialist	PMU	ICS	2019.02.01	2020.01.31	ADB
10	Driver	PMU	ICS	2019.03.01	2020.02.28	ADB
11	Driver	PMU	ICS	2019.03.01	2020.02.28	ADB

PMU has implemented the following result-oriented activities:

- (i) PMU has done monitoring of 33 subprojects financed under the Additional financing based on quarterly reports received from PPEs, by fielding monitoring visits to all sub-project sites, where investments were made, receiving feedback or enquiries from the relevant Professional agencies, receiving field monitoring reports from the PPEs, which made it at request by the PMU and information collection via press, media, social media. No misuse or not for the purpose use of financing was found and there are no failures in the repayment of loans. All subprojects financed from 2017 to 2018, except 2, which were interrupted or changed scope of the project, have achieved 70-95% of implementation and those subprojects financed in 2019 have been implemented as planned and spending the loan financing for the purpose. Implementation of most of the PPEs subprojects have resulted in development of new products and services, which meet customers preferences and wants, moving to the next stage of processing, increased volume of animal origin raw materials and production of locally produced raw material based products for import substitute.
- (ii) During the reporting period, the PMU has established relations and communication, with the international donor-funded projects and organizations, such as World Bank's Export Development Project, SME support program of the European Bank of Reconstruction and Development, ADB's Community vegetable farming for livelihood project, SeCim program funded by UNFAO and UN Industrial Development Organization, GIZ's sea-buckthorn and berry production support program, agricultural value-chain program implemented by Chambers of Commerce of Germany and Mongolia for exchange of information and discussed cooperation opportunities. VCI coordinator participated in the ADB sponsored International Women Forum "Initiatives for Green Economy by Female Entrepreneurs" as a moderator and the participation allowed to share experience and lessons learnt by ARDP with the participants of the Forum.
- (iii) Introduction to the project was organized to disseminate the project information to the Light Industry Policy Coordination Department, Livestock Policy Coordination Department, Crop Production Policy Coordination Department and Foreign Relations Division of MOFALI. PMU has participated in the discussion of the organic food law draft organized by MOFALI and introduced the project to let the participant businesses know about opportunities for organic food producers to participate in the project and shared experience in preparation of quality bankable proposal and explained the project requirements.
- (iv) The management support provided to Technical Assistance (TA) team and its activities. MOFALI proposed changes to the action plan approved by MOFALI and ADB's working group, and Technical Advisory Unit (TAU) for light industry and food production sub-sector, established under the ministry, discussed the operational and investment plans for TA activities, physical and

- technical support was provided in approval by MOFALI, and in bidding and procurement procedures.
- (v) The following PMU support provided to TA team in cooperating with PPEs: introduction of TA consultants to PPEs, support in cooperation planning with the PPEs management, assistance in explaining benefits of cooperation with TA team, advice on proposals submitted by companies, implementation of training programs. PMU assists PPEs to receive assistance beyond TA or additional support working closely with other projects, such as SecIM implemented by UNIDO and FAO by referring 3 PPEs. 3 PPEs were contacted in German Senior Specialists Overseas Program and other 2 were assisted to approach Professors' team from Agroecology, Livestock and Biotechnology schools of the Agriculture University of Mongolia.
 - (vi) PMU participated in the portfolio meeting organized by the MNRM, and made presentations on the project performance to MOF's monitoring working group, cooperating with the Executing and Implementation Agencies to provide prompt and without delay project activities.
 - (vii) Request by the PSC for change in the loan limit for PSC approval, which in turn involved environmental category to ADB involved self-assessment of PMU in terms of environment assessment and monitoring capacity, comprehensive description of environment process of the Project as well as institutional support from the Government. The PMU completed all related documents and submitted proposal to ADB. This work involved some research to provide evidence for the required level of competence and capacity and indicators set for sub-sectors and ADB agreed and approved the request.
 - (viii) Information on project activities is disseminated to 2500 citizens, in addition to information provided through web-page, and to more than 1000 companies during Open-day and exhibitions organized by the Ministries. Information also given to companies during Light industry sector's anniversary exhibition, discussion and introductory seminars for wool and cashmere, skin and hide sub-sector producers.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

The financial statements comprise the statement of financial position, statement of financial performance, cash flow statement, statement of changes in net assets/equity for the year ended, and a summary of significant accounting policies and other explanatory information. The financial statements have been prepared on an accrual basis and comply with International Public Sector Accounting Standards (IPSAS).

In addition, the following reports have been prepared in compliance with ADB Loan Disbursement Handbook.

- Statement of Sources and uses of funds
- Statement of Expenditures (cash basis)
- Imprest account statement
- Sub-account statement

b) Basis of measurement

The financial statements have been presented in USD. Cash balances denominated in currencies other than USD are translated into USD at year-end rates of exchange stated by the Bank of Mongolia. Transactions denominated in currencies other than USD are translated at Bank of Mongolia exchange rates at the dates of transaction.

c) Basis of the presentation

The balances of accounts in the financial statements as of December 31, 2019 have been compared to the balances of such accounts in the financial statements as of December 31, 2018.

d) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and cash balances with banks.

e) Receivable

Receivable measured at the fair value plus transaction costs.

f) Prepaid expenses/prepayments

Payments for goods, works and services are recognized as prepaid expenses/prepayments, adjusted by the amount of goods, works and services received and recorded as expenses for the period.

g) Inventories

Inventories are assets in the form of materials or supplies to be consumed in the project implementation process and the rendering of services.

h) Tangible assets

Tangible assets are used for the project activities and are stated at historical cost less depreciation. Depreciation is charged on a straight-line basis and recognized in the statement of financial performance as an expense for the current period. The useful life of tangible assets:

- Vehicles - 6 years
- Computer and spare parts - 5 years
- Other assets - 5 years

i) Intangible assets

Intangible assets are stated at historical cost less accumulated amortization. Amortization is provided over the estimated useful life using the straight-line method and recognized in the statement of financial performance as an expense for the current period. The useful life of Software is 5 years.

j) Liability

Liability is measured initially at fair value. Liability is categorized into either short term liability or long term liability depending on due date and nature of contractual obligation. Consequently, liability is measured at an amortised cost using the effective interest rate. Liability is derecognized when relevant obligation is expired or terminated.

k) Net assets/equity

Net assets are defined as the residual interest in the assets of the entity after deducting all its liabilities. The components of net assets/equity are disaggregated into contributed capital, accumulated surplus or deficit and any reserves.

l) Revenue

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets/equity, other than increases relating to contributions from owners. Revenue is measured at the fair value of the consideration received or receivable.

m) Expenses

Expenses are recorded on an accrual basis. By accrual basis, expenses are recognized when transactions occur and the amount can be measured, regardless of when cash is exchanged. Expenses are recorded in the statement of financial performance based on the accepted budget, approvals for expenditure and resolutions by authorized entities, contracts and source documents.

n) Taxation

Article 4.1.5 of Corporate Income Tax states that "Corporate entity" means a juristic person established in the form of a company, partnership, cooperative, or a state or locally owned enterprise that is engaged in business producing revenue, is subject to corporate income tax and registered with the state registry; Article 17.2 of Budget Law states that "A project unit operated with loans or grants rendered by international organizations and donor countries to Mongolia through Government shall be a budgetary body". Since a project unit is classified as "a state budget enterprise" according to Law on State and Local Property, the project unit is not responsible for corporate income tax.

Article 13.1.3 of Value-added tax defines exemption from the tax including "goods received through humanitarian and grant aid or discounted loan from foreign governments or international or humanitarian organizations." Every year, the finance ministerial resolution defines goods, works and services supplied through loan and grant projects shall exempt from value-added tax and excise tax.

According to Personal Income Tax Law, project employees wages and salaries are subject to Personal Income Tax at 10% and transferred to tax authority.

o) Social insurance contributions

According to Social Insurance Law and the Governmental Decree#176 dated Mar 28, 2016, an employer must pay social security contributions at 12.5% and employee (insurer) must pay at 11.5%.

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4. ITEMS OF THE STATEMENT OF FINANCIAL POSITION

4.1. Cash and cash equivalents

The balances of cash and cash equivalents as of December 31, 2019 are shown below:

Cash and equivalent	2018.12.31 (USD)	2019.12.31 (USD)
ADB loan	2,029,745.75	1,062,305.58
ADB (ADF) imprest account at BOM (USD)	-	193,164.97
ADB (OCR) imprest account at BOM (USD)	1,939,901.09	3,005.32
Imprest account at State Bank (USD)	59,851.06	292,686.15
Sub-account at Treasury ADF (MNT)	-	292,676.04
Sub-account at Treasury OCR (MNT)	-	270,524.39
Sub-account at State Bank (USD)	29,275.72	-
Sub-account at State Bank (MNT)	709.63	1.55
Sub-account at Treasury (MNT)	-	10,239.22
Petty cash (MNT)	8.25	7.94
Government contribution	9,325,699.02	7,252,469.28
Revolving fund account at UBC bank (USD)	38,738.27	77,093.60
Revolving fund account at UBC bank (MNT)	33,378.55	105,287.96
Revolving fund account at Chinggis Khan bank (MNT)	731,055.37	2,236,247.63
Revolving fund account at National Investment bank (MNT)	594,375.71	921,838.99
Deposit account at State bank (USD)	2,122,559.48	-
Deposit account at State bank (MNT)	1,865,123.92	-
Deposit account at UBC bank (USD)	1,700,000.00	1,793,500.00
Deposit account at UBC bank (MNT)	1,906,981.67	2,118,499.22
Imprest account at State Bank (USD)	40,811.74	-
Sub-account at State Bank (USD)	158.20	-
Sub-account at State Bank (MNT)	11,146.11	-
Petty cash (MNT)	1.94	1.88
Operational account at State bank (MNT)	31,208.30	-
Sub-account at State Bank (MNT)	250,159.76	-
Sub-account at Treasury (MNT) GOV	-	-
Total	11,355,444.77	8,314,774.86

As approved by Ministry of Finance, separate VCI and operational imprest accounts and sub-accounts used opened at the Bank of Mongolia and State Bank.

All transactions from Ordinary Capital Resource's (OCR) Imprest Account No.3430403014 and Special Funds resource's Imprest Account No.3430403015 at the Bank of Mongolia, USD Imprest Account No. 106000037032 at the State bank, and accounts at the Treasury and commercial banks were approved by the first signatures of MOF's General director of the Treasury department and the second signature of Project Director/Director, Financial Asset Management Division, Financial Policy Department. The transactions from the sub-accounts No. 100900011809, 100900011606 at the Treasury and Mo.104900067747 at the State bank were approved by the signatures of Project Coordinator and accountant.

The following transactions were made according to the Minister of Finance's order No.357 "Allocation of accounts of the foreign aid and grant financed projects to the consolidated account of the Treasury" dated 11 December 2017:

1. Transfer of funds from USD account No.10600037041 at the State bank to the Treasury account No.100900011809 and closing of account No.10600037041.
2. According to the above order and formal letter 10-1/1030 of the Director General, Treasury department dated 28 February 2019 the Government fund USD accounts No.104900062938, 104900063340 and MNT accounts 104900063354, 106000061192, 340101938272 at the State bank were closed and funds were transferred to the State budget.

During the audit, the following bank accounts have been confirmed by the relevant commercial banks.

Bank account	Balance as of Dec 31, 2019 per project record (USD)	Balance as of Dec 31, 2019 per positive bank confirmation (USD)
Imprest Account at State bank (USD)	292,686.15	292,686.15
Sub-account at State bank (USD)	-	-
Sub-account at State bank (MNT)	1.55	1.55
Sub-account at Treasury (MNT) ADF	292,676.04	292,676.04
Sub-account at Treasury (MNT) OCR	270,524.39	270,524.39
Sub-account at Treasury (MNT)	10,239.22	10,239.22
Revolving Fund Account at UBC bank (USD)	77,093.60	77,093.60
Revolving Fund Account at UBC bank (MNT)	105,287.96	105,287.96
Revolving Fund Account at Chinggis Khan bank (MNT)	2,236,247.63	2,236,247.63
Revolving Fund Account at National Investment bank (MNT)	921,838.99	921,838.99
Deposit Account at UBC bank (USD)	1,793,500.00	1,793,500.00
Deposit Account at UBC bank (MNT)	2,118,499.22	2,118,499.22
Total	8,118,594.75	8,118,594.75

4.2. VCI sub-loans

	2018.12.31 (USD)	2019.12.31 (USD)
Initial financing: Grant 0115 - MON(SF)	109,919.90	0.00
Altai Cashmere LLC	72,419.90	0.00
Vitafit Invest LLC	37,500.00	0.00
Additional financing: 39229-033 MON	22,749,383.29	30,502,935.61
Noos Ireedui LLC	1,135,108.13	1,097,486.03
Denimon LLC	189,184.69	182,914.34
Gobi JSC	2,270,216.27	2,194,972.05
Khan Brand LLC	302,695.50	234,127.43
Mongolian Cattle LLC	118,240.43	97,173.24
Russkie Kolbasy LLC	141,888.53	109,748.60
Davshilt Trade LLC	189,184.69	141,941.53
Monmeat Trade LLC	385,936.77	373,145.25
Sor cashmere LLC	2,064,875.27	1,996,436.83
Khanbogd Cashmere LLC	2,043,194.65	1,755,561.98
Mogol Noos LLC	945,923.45	914,571.69
Zurgaаn Khoshuu LLC	681,064.87	658,491.62
Bayalag Ulzii LLC	491,880.19	475,577.28
Darkhan Nekhji JSC	1,551,314.44	1,473,583.58
Tumen Shuvuut LLC	1,135,108.12	1,006,028.86
Ikh Ulaаm Undrakh LLC	141,888.51	137,185.75

Yanmal LLC	1,324,292.82	1,164,000.12
Choir Khaikhan LLC	567,554.06	445,853.70
Nuudel Tejeel LLC	497,555.75	481,064.71
Jinst Murun LLC	147,564.07	121,866.68
GBT Trading LLC	1,740,499.16	1,682,811.91
Khurkh Gol LLC	756,738.77	660,524.00
Ikh Aurag Ord LLC	143,780.38	72,782.35
Ajigana LLC	2,270,216.27	2,194,972.05
Mongol textile LLC	756,738.75	701,171.63
Uguuj Mandal Uul LLC	529,717.13	490,820.11
Mihachi LLC	227,021.61	219,497.21
Munkhbumud LLC		350,463.87
Zavkhan Bayalag JSC		398,021.60
Best shoes LLC		512,160.15
Erdmeat LLC		804,823.09
Jivertyn Orgil LLC		1,243,817.50
Natural Textile Group LLC		2,633,966.46
Efes Khuns LLC		548,743.01
Trust Trade LLC		2,103,514.88
Jur Ur LLC		585,325.88
Jigd Khuch LLC		237,788.64
Total	<u>22,859,303.19</u>	<u>30,502,935.61</u>

4.3. VCI sub-loan interest receivables

	2018.12.31	2019.12.31
	(USD)	(USD)
Noos Ireedui LLC	559.78	12,448.20
Khan Brand LLC		278.44
Mongolian Cattle LLC	59.77	1,105.71
Russkie kolbasy LLC	85.13	304.44
Davshilt Trade LLC		4.24
Monmeat Trade LLC		276.03
Khanbogd Cashmere LLC		37.07
Mogol Noos LLC	138.67	
Zurgaun Khoshuu LLC		564.23
Darkhan Nekhi JSC	702.78	5,393.30
Tumen Shuvunt LLC		489.13
Yanmal LLC	489.81	442.48
Choir Khaikhan LLC	209.92	219.87
Nuudel Tejeel LLC	184.03	177.93
Jinst Murun LLC	54.58	60.10
GBT Trading LLC	643.75	829.88
Khurkh Gol LLC	279.89	488.61
Ikh Aurag Ord LLC	53.18	53.84
Ajigana LLC	839.67	811.84
Mongol textile LLC	5,877.68	345.78
Uguuj Mandal Uul LLC	4,114.38	186.80
Mihachi LLC	1,763.30	108.25
Munkhbumud LLC		172.83

Zavkhan Bayalag JSC	147.21
Best shoes LLC	190.78
Herbmeat LLC	297.67
Jivertyn Orgil LLC	460.04
Natural Textile Group LLC	9,417.33
Efes Khuns LLC	328.12
Trust trade LLC	778.01
Jar Ur LLC	288.65
Jigd Khuch LLC	117.27
Total	<u>16,056.32</u>
	<u>36,824.08</u>

4.4 Other receivable

VCI subloan repayments from original phase equal to USD 4,312,017.75 was allocated as a time-deposit at the State bank. After expiration of the contract the funds were allocated to the State budget. In the financial statement this fund was recorded as a receivables.

4.5 Prepaid expenses

	2018.12.31 (USD)	2019.12.31 (USD)
Advance payment for "Study on cluster development including structure and value chain creation in sea-buckthorn sector (S0007)"	5,699.09	
Advance payment for "Training on International standards and coaching in sea-buckthorn sector (S0006)"	9,616.84	
Advance payment for "Study of functional properties of the Mongolian pastoral livestock (S0003)"	24,332.05	
Installment payment for Financial Software		2,176.96
Installment payment for Garage (car parking)		443.35
Total	<u>39,647.98</u>	<u>2,620.31</u>

4.6 Inventories

	2018.12.31 (USD)	2019.12.31 (USD)
Stationeries	765.47	411.56
Fuel	4,149.05	1,774.12
Other supply materials	125.08	396.76
Spare parts		170.48
Total	<u>5,039.60</u>	<u>2,752.92</u>

4.7 Fixed assets, and Intangible assets

Non-current asset depreciation of USD 1,997.23 was additionally recorded for the reporting period, and no other transactions were recorded for non-current assets and intangible assets accounts.

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4.8 ADB Loan

In the reporting period, the PMU received the total financing of 10,691,358.19 USD from ADB.

WA Number	Date	2018.12.31 (USD)	2019.12.31 (USD)
ADF Financing			
A0001	2016.03.14	228,295.07	228,295.07
A0002	2016.08.26	137,477.47	137,477.47
A0003	2016.12.21	102,220.49	102,220.49
A0004	2017.07.15	160,699.93	160,699.93
A0005	2017.12.22	186,689.22	186,689.22
A0006	2018.04.30	154,111.24	154,111.24
A0007	2018.07.18	111,205.55	111,205.55
A0008	2018.11.14	142,227.86	142,227.86
A0009	2018.12.21	81,894.53	81,894.53
A0010	2019.02.18		146,558.58
A0011	2019.05.03		166,446.78
A0012	2019.05.03		245,281.04
A0013	2019.10.07		335,107.80
A0014	2019.12.20		306,665.58
C0022	2019.09.26		2,603,370.79
	Total	1,304,821.36	5,108,251.93
Direct Payments			
B0001	2019.02.11		40,974.10
B0002	2019.03.11		192,893.83
B0003	2019.03.26		63,896.37
B0004	2019.04.16		81,862.94
B0005	2019.04.16		158,385.83
B0006	2019.04.17		287,174.66
B0007	2019.05.17		234,474.77
B0008	2019.05.24		71,415.09
B0009	2019.06.17		45,755.07
B0010	2019.10.24		42,915.24
	Total	0.00	1,219,747.90
OCR Financing			
C0001	2016.12.21	1,905,824.94	1,905,824.94
C0002	2016.12.21	288,343.55	288,343.55
C0004	2017.01.31	5,071,783.62	5,071,783.62
C0006	2017.03.03	3,407,120.41	3,407,120.41
C0009	2017.06.21	4,168,300.42	4,168,300.42
C0011	2017.12.28	1,802,673.29	1,802,673.29
C0012	2018.04.18	6,501,673.64	6,501,673.64
C0015	2018.10.19	2,389,276.92	2,389,276.92
C0016	2018.11.01	1,016,382.82	1,016,382.82
C0019	2019.05.23		5,585,361.52
C0021	2019.09.30		82,818.20
	Total	26,551,379.61	32,219,559.33
Total		27,856,200.97	38,547,559.16

*The total amount doesn't include the ADB Loan interest and commitment charges of 978,438.00 USD.

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ADB source	Total loan proceeds (USD)	Total amounts received as of Dec 31, 2019 (USD)	Total amounts received %
ADF financing	15,000,000.00	6,327,999.83	42.19%
OCR financing	35,000,000.00	32,219,559.33	92.06%

4.9 Interest and commitment charges

ADB computed the interest and commitment charges in accordance with the pertinent clauses of Loan Agreement (Ordinary Operations) Number 3287-MON and Loan Agreement (Special Operations) Number 3288 -MON (SF) and a total of 978,438.00 USD was accumulated in 2019.

No	Expenditure items	2018.12.31 (USD)	For the period amount (USD)	2019.12.31 (USD)
1	Interest for ADF Loan	29,509.89	39,694.65	69,204.54
2	Interest for OCR Loan	630,403.27	929,599.87	1,560,003.14
3	Commitment charge	102,406.10	9,143.48	111,549.58
	Total	<u>762,319.26</u>	<u>978,438.00</u>	<u>1,740,757.26</u>

4.10 Account payable

	2018.12.31 (USD)	2019.12.31 (USD)
Payment on acceptance (60%) to the Gool LLC for the supply of "Beehive boxes for selected suppliers" (G0007-2)		63,199.39
Total	-	<u>63,199.39</u>

4.11 Un-earned revenue

	2018.12.31 (USD)	2019.12.31 (USD)
VCI loan interest prepayment		
Sor Cashmere LLC	254.57	246.14
Mogol Noos LLC		2,910.32
Zurgaun Khoshuu LLC	4.20	
Tumen Shuvuut LLC	23.56	
Total	<u>282.33</u>	<u>3,156.46</u>

4.12 Net assets/equity

	2018.12.31 (USD)	For the period (USD)	2019.12.31 (USD)
GOM funding (initial phase)	117,307.03	(117,307.03)	-
GOM funding (additional funding)	452,800.14	-	452,800.14
Revolving Fund account	7,272,775.38	110,006.18	7,382,781.56
Accumulated surplus/(deficit)	(2,177,862.63)	(2,834,132.42)	(5,011,995.05)
Total	<u>5,665,019.92</u>	<u>(2,841,433.27)</u>	<u>2,823,586.65</u>

4.13 Revenue and expenses

	2018.12.31 (USD)	2019.12.31 (USD)
Revenue:		
VCI sub-loan interest income	864,469.78	1,205,556.31
Deposit interest income	782,125.47	765,640.26
Bank interest income (for ADB accounts)	2,204.81	2,640.95
Bank interest income (for Revolving fund accounts)	45,340.34	53,115.03
Other income	1,031.76	967.60
Total	<u>1,695,172.16</u>	<u>2,027,920.15</u>
Expenses:		
ADB Financing	(2,842,331.12)	(4,304,844.28)
Consulting services	(190,800.00)	(189,728.62)
Training	(173,422.13)	(495,223.58)
Equipment	(34,194.53)	(909,620.24)
Materials		(480,859.02)
Marketing and Brand Development		(126,473.73)
Audit expense	(3,932.33)	(7,600.00)
PMU staff salaries	(60,294.35)	(58,658.83)
Communications and postage costs	(2,290.22)	(1,946.80)
LAN, Anti-virus software maintenance expenses	(1,288.33)	(1,173.01)
Advertising expenses	(3,878.05)	(2,520.39)
Office supplies	(6,792.52)	(4,661.99)
Site visit expenses	(5,270.54)	(6,863.59)
Fuel expenses	(7,335.71)	(7,551.79)
Car repair and garage expenses	(8,903.05)	(6,790.46)
Car insurance and car taxes	(1,450.58)	(1,309.38)
Other expenses	(3,763.63)	(2,354.63)
Bank charges	(40.00)	(406.98)
ADB Loan interest expense-OCR	(506,227.58)	(938,743.35)
ADB Loan interest expense-ADF	(17,490.13)	(39,694.65)
State bank's interest income transfer to the Treasury		(2,620.50)
Foreign currency gain/(loss)	(1,814,957.44)	(1,020,042.74)
GOM Financing	(506,703.95)	(564,509.14)
Consulting services	(568.69)	(647.58)
Advertising expenses		(75.46)
Social insurance contributions	(7,224.96)	(7,327.91)
Office rent expense	(42,467.01)	(39,310.56)
Bank charges	(30.53)	(23.15)
Closing of some Government accounts		(268,578.71)
Depreciation expense	(1,997.88)	(1,997.23)
VAT exemptions	(1,038.37)	
Foreign currency gain/(loss)	(453,376.51)	(246,548.54)
Total expenses	<u>(3,349,035.07)</u>	<u>(4,869,353.42)</u>

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VCI sub-loan interest income

	2018.12.31 (USD)	2019.12.31 (USD)
Noos Ireedui LLC	53,631.84	50,632.49
Denimon LLC	8,965.61	8,438.74
Gobi JSC	107,587.29	101,264.97
Khan Brand LLC	14,343.06	12,552.82
Mongolian Cattle LLC	6,292.83	4,881.60
Russkie Kolbasy LLC	7,547.84	5,879.08
Dayshilt Trade LLC	8,965.61	7,655.96
Monmeat Trade LLC	18,287.39	17,215.06
Sor Cashmere LLC	97,601.44	92,105.57
Khanbogd Cashmere LLC	97,947.89	88,264.48
Mogol Noos LLC	45,470.36	42,193.74
Zurgaаn Khoshuu LLC	32,663.20	30,379.48
Bayalag Ulzii LLC	23,580.04	21,940.74
Darkhan Nekhi JSC	72,260.61	69,103.65
Tumen Shuvuut LLC	55,048.42	49,937.71
Ikh Ulaаm Undrakh LLC	6,801.91	6,329.05
Yanmal LLC	57,923.58	57,980.24
Choirkhairkhan LLC	19,051.43	23,752.78
Nuudel Tejeel LLC	13,653.07	22,193.89
Jinst Murun LLC	4,049.52	6,345.50
GBT Trading LLC	47,763.59	77,636.49
Khurkh Gol LLC	20,766.78	32,943.19
Ikh Aurag Ord LLC	3,945.68	5,632.11
Ajigana LLC	28,565.43	101,264.97
Mongol Textile LLC	5,877.68	33,638.23
Uguuj Mandal Uri LLC	4,114.38	23,590.34
Mihachi LLC	1,763.30	10,126.50
Munkhbumund LLC		13,611.10
Zavkhan Bayalag JSC		15,458.13
Best Shoes LLC		20,639.45
Erdmeat LLC		19,940.55
Jivertyn Orgil LLC		31,492.90
Natural Textile Group LLC		65,962.16
Efes Khuns LLC		8,833.93
Trust trade LLC		18,499.70
Jur Ur LLC		5,147.74
Jigd Khuch LLC		2,091.27
Total	864,469.78	1,205,556.31

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4.14 VCI Loan repayment

	2018.12.31 (USD)	2019.12.31 (USD)
VCI Loan repayment (Original phase)	403,410.86	110,006.18
Erdenet Carpet LLC	15,911.29	
Altai Cashmere LLC	(60,225.66)	72,506.18
Vilafit Invest LLC	150,000.00	37,500.00
Bornuur Foods LLC	73,256.21	
Mogol Noos LLC	104,017.70	
VCI Loan repayment (Additional financing)	54,799.90	957,320.72
Khan Brand LLC		59,818.92
Mongolian Cattle LLC	24,909.05	17,674.85
Russkie Kolbasy LLC	29,890.85	28,040.73
Davshilt Trade LLC		42,043.34
Khanbogd Cashmere LLC		224,060.29
Darkhan Nekhii JSC		26,491.34
Tumen Shuvuu LLC		92,680.75
Yanmal LLC		118,183.64
Choirkhaikhan LLC		105,022.85
Jinst Murun LLC		21,164.74
Khurkh Gol LLC		72,360.14
Ikh Aurag Ord LLC		67,866.96
Mongol Textile LLC		30,676.81
Uguuj Mandal Uul LLC		21,411.95
Best shoes LLC		29,823.42
Total	458,210.76	1,067,326.90

4.15. Foreign currency gain/loss

In the reporting period, the foreign currency loss of 266,080.66 USD was recognized in the balance of MNT bank account and loss of 1,000,510.69 USD was recognized in the balances of VCI sub-loans and its interest receivables.

4.16. Contingent liabilities

At the end of 2019, the PMU did not have any legal or constructive obligation as a result of past events.

4.17. Events after the reporting date

The auditor's report, including the financial statements as of December 31, 2019, was prepared by June 15, 2020. There were not events that occurred after the reporting date and which would have affected the financial statements for the year-end.

4.18. Translation of the report

These financial statements have been prepared in Mongolian and English languages, and the report in the Mongolian language prevails in case of misunderstanding between those versions.

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5. CUMULATIVE PROJECT EXPENDITURES (cash basis)

ADB funded expenses:

Expenditure items		2018.12.31 (USD)	2019.12.31 (USD)
a.	Training	213,070.11	455,575.60
b.	Consulting services	190,800.00	189,728.62
	Marketing and Brand Development		126,473.73
c.	VCI loans (ADB OCR financing)	10,179,736.41	7,601,672.10
d.	VCI loans (ADB ADF financing)		2,108,972.28
e.	Project management expenses	102,341.76	94,164.50
	Audit expense	3,932.33	7,600.00
	Bank charges	40.00	406.98
f.	Equipment	36,434.90	62,448.79
	Equipment-direct payment		783,972.06
g.	Materials		45,083.18
	Materials-direct Payment		435,775.84
Total		10,726,355.51	11,911,873.68

Training (ADF financing):

In the reporting period, the following training and surveys were conducted.

No	Title	Output	2019 Amount (USD)
1	VCI training for potential PPEs, PPB, GCGF	1	15,709.56
2	Capacity building training for herders and farmers		
	- Training;	2	33,789.21
	- Research and studies	2	44,802.17
3	Marketing and Technical Capacity building training of Participating Enterprises		
	- Training;	3	24,189.87
	- Research and studies	3	179,220.37
4	Development of Mongolian Product Brand(s)		
	- Training;	4	7,022.71
	- Research and studies;	4	106,846.85
	- Marketing and brand development activities	4	126,473.73
5	PMU trainings	1	43,994.86
Total			582,049.33

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Consulting services (ADF financing):

In the reporting period, a total of USD 189,728.62 was paid for the following project national consultants as remuneration.

Contract No	Title	2019 Amount (USD)
NC/006-16	Project Coordinator	39,377.66
NC/001-16	VCI Coordinator	31,024.80
NC/007-16	Business consultant	29,831.54
NC/002-16	Financial analyst	29,831.54
NC/003-16	Gender/social consultant	29,831.54
NC/004-16	Environmental consultant	29,831.54
Total		189,728.62

VCI loans OCR VCI Loans (ADB OCR financing):

The unpaid loan balance as of December 31, 2018 amounting to 1,338,404.54 USD (equals to 3,526,000.00 thousand MNT) was issued in 2019.

In the reporting period of 2019, the total of 7 sub-projects of VCI contracts amounted 23,100,000.00 thousand MNT were approved by ADB and Project Steering Committee, USD 8,372,239.84 (equals to 22,300,000.00 thousand MNT) was disbursed to PPEs under the on-lending agreements between MOF and PPBs.

The detailed information on VCI contracts awarded in the period of 2019 is shown on the next page:

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Detailed information on VCI contracts awarded in 2018

No	Name of Project participating entities (PPEs)	Sector	Contract No, date	Loan period	Total loan approved (MNT '000)	PSC approval date	Loan amount transferred (USD)	Loan amount transferred (MNT '000)	Balance as of Dec 31, 2018 (MNT '000)	PBEs
1	Choirkhairkhar LLC	Wool, cashmere	No. GB/76-03-004/2018.03.20	60 month	1,500,000.00	2018.02.14	626,752.61	1,500,000.00	0.00	Golomt bank
2	Nundel tejeel LLC	Feed/forage	No.35/BBG-18/08 2018.05.28	84 month	1,315,000.00	2018.05.14	545,860.60	1,315,000.00	0.00	UBCity bank
3	Jinst Murun LLC	Wool, cashmere	No.36/GB/76-03-007/ 2018.05.28	60 month	390,000.00	2018.05.14	161,890.22	390,000.00	0.00	Golomt bank
4	GBT Trading LLC	Canned vegetable	No.37/GB/76-03-005/ 2018.05.28	84 month	4,600,000.00	2018.05.14	1,909,474.32	4,600,000.00	0.00	Golomt bank
5	Kharkh Gol LLC	Seed wheat	No.38/GB/76-03-006/ 2018.05.28	84 month	2,000,000.00	2018.05.14	830,206.23	2,000,000.00	0.00	Golomt bank
6	Ikh Aurag Ord LLC	Bee-farming	No.34/GB/76-03-008/ 2018.05.28	84 month	380,000.00	2018.05.14	157,759.19	380,000.00	0.00	Golomt bank
7	Ajigana LLC	Chicken farm	No.58/tdbm-262-2018 2018.09.20	85 month	6,000,000.00	2018.08.29	2,389,276.92	6,000,000.00	0.00	TDB
8	Mongol Textile LLC	Wool	No.62/GB/76-03-009/ 2018.10.12	84 month	2,000,000.00	2018.10.02	780,049.45	2,000,000.00	0.00	Golomt bank
9	Uguuj Mandal Uul LLC	Seed wheat	No.63/154/78/395-9 2018.10.12	60 month	1,400,000.00	2018.10.02	546,034.62	1,400,000.00	0.00	Khan bank
10	Mibachi LLC	Bee-farming	No.64/GB/76-03-010/ 2018.10.12	84 month	600,000.00	2018.10.02	234,014.83	600,000.00	0.00	Golomt bank
11	Munkhbumuud LLC	Wool, cashmere	No.110/GB/76-03-011/ 2018.12.20	60 month	958,000.00	2018.12.17	0.00	0.00	958,000.00	Golomt bank
12	Zavkhan Bayalag JSC	Berry	No.108/154/78/395-11 2018.12.20	84 month	1,088,000.00	2018.12.17	0.00	0.00	1,088,000.00	Khan bank
13	Best shoes LLC	Skin, hide product	No.109/BBG-18/17 2018.12.20	84 month	1,480,000.00	2018.12.17	0.00	0.00	1,480,000.00	UBCity bank
Total					23,711,000.00		8,181,298.99	20,185,000.00	3,526,000.00	

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Detailed information on VCI contracts awarded in 2019

№	Name of project participating entities (PPEs)	Sector	Contract No., date	Loan period	Total loan approved in 2019 (MNT '000)	PSC approved date	Loan amount transferred in 2019		Balance as of Dec 31, 2019 (MNT '000)	PPBs
							USD	MNT '000		
1	Munkhbumud LLC	Wool, cashmere	No.110/GB/76-03-011/2018.12.20	60 months		2018.12.20	363,639.12	958,000.00		Golomt
2	Zavkhan Bayalag JSC	Berries	No.108/154/78/395-11/2018.12.20	84 months		2018.12.20	412,984.73	1,088,000.00		Khan
3	Best Shoes LLC	Skin, hide	No.109/BBG-18/17/2018.12.20	84 months		2018.12.20	561,780.69	1,480,000.00		UBCB
4	Erdmeat LLC	Meat	No.57/154/78/395-12/2019.06.05	84 months	2,200,000.00	2019.06.05	829,018.75	2,200,000.00		Khan
5	Jivertyn Orgil LLC	Sea buckthorn	No.58/TDBM/176/2019/2019.06.05	84 months	3,400,000.00	2019.06.05	1,281,843.44	3,400,000.00		TDB
6	Natural Textile Group LLC	Wool, cashmere	No.56/GB/76-03-012/2019.06.05	84 months	7,200,000.00	2019.06.05	2,713,809.73	7,200,000.00		Golomt
7	Efes Khuns LLC	Meat	No.74/GB/76-03-013/2019.07.31	84 months	1,500,000.00	2019.07.31	561,412.48	1,500,000.00		Golomt
8	Trust Trade LLC	Meat	No.100/BBG-19/02/2019.10.06	84 months	6,550,000.00	2019.10.06	2,146,299.22	5,750,000.00	800,000.00	UBCB
9	Jur Ur LLC	Dairy	No.101/GB/76-03-015/2019.10.06	84 months	1,600,000.00	2019.10.06	597,231.09	1,600,000.00		Golomt
10	Jigd Khuch LLC	Dairy	No.99/GB/76-03-014/2019.10.06	84 months	650,000.00	2019.10.06	242,625.13	650,000.00		Golomt
Total					23,100,000.00		9,710,644.38	25,826,000.00	800,000.00	

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Project management expenses (ADF financing):

In the reporting period, a total of 102,171.48 USD was disbursed to finance the following project management expenses.

Expenditure items	2018 Amount (USD)	2019 Amount (USD)
PMU staff salaries	60,294.35	58,658.83
Communications and postage costs	2,290.22	1,946.80
LAN, Anti-virus software and PC maintenance expenses	1,288.33	3,349.97
Advertising expenses	3,878.05	2,520.39
Office supplies	7,551.99	4,308.08
Site visit expenses	5,270.54	6,863.59
Fuel expenses	7,609.85	5,176.86
Car repair and garage expenses	8,903.05	7,404.29
Car insurance and car taxes	1,450.58	1,309.38
Other expenses	3,804.80	2,626.31
Subtotal	102,341.76	94,164.50
Audit fee for financial statements	3,932.33	7,600.00
Bank charges	40.00	406.98
Total	106,314.09	102,171.48

Equipment and materials:

Items	2019 Amount (USD)
Laboratory equipment for Textile Institute - SEM (Scanning electron microscope) /Output-3/	192,893.83
Laboratory equipment for testing of fabric hygiene /Output-3/	31,828.07
Laboratory equipment for testing of bee-related products and phyto-genic drug manufacturing /Output -3/:	
High performance liquid chromatography /Output-3/	81,862.94
Freezer - dryer /Output-3/	
Other equipments for bee laboratory /Output-3/	
Equipment and software for model "Production and training center" /Output-3/	63,896.37
Scabuckthorn seed oil separation equipment using Carbon dioxide /Output-3/	358,589.75
Equipment for glued paper production shop to protect from insects at the scabuckthorn fields /Output-3/	40,974.10
Leather fleshing machine for small animals /Output-2/	30,620.72
Air conditioning system for textile institute's laboratory /Output-3/	45,755.07
Set of tools for households /Output-2/	
Set of tools for cooperatives /Output-2/	158,385.83
Beehive boxes /Output-2/	42,915.24
Honeycombs for beehive /Output-2/	22,145.30
Agricultural tools and materials for cooperatives /Output-2/	17,548.28
Frozen semen and embryo of high productivity livestock breed /Output-3/	234,474.77
Chemicals to protect raw material quality /Output-2/	5,389.60
Total	1,327,279.87

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Expenses financed by Government of Mongolia:

Items	2018 Amount (USD)	2019 Amount (USD)
Office rent expense	42,467.01	39,310.56
Social security contributions	7,224.96	7,327.91
Site visit expenses	568.69	
Consulting services		647.58
Advertising expenses		75.46
Bank charges		23.15
Total	50,260.66	47,384.66

Government financing-cash basis:

	2018.12.31 (USD)	For the period (USD)	2019.12.31 (USD)
Government Funds	452,800.14	0.00	452,800.14
Revolving Fund	7,272,775.38	110,006.18	7,382,781.56
Bank interest earned	124,217.10	53,115.03	177,332.13
Deposit interest earned	1,341,076.94	765,640.26	2,106,717.20
Other income	1,489.16	967.60	2,456.76
VCI sub-loan interest income	1,333,156.93	1,186,837.12	2,519,994.05
VCI sub-loan repayment income	54,799.90	957,320.72	1,012,120.62
Total	10,580,315.55	3,073,886.91	13,654,202.46

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The Statement of outstanding loan balances of VCI Loan contracts – Original project

№	PPBs	Currency	Xac bank		Total
			Altai Cashmere LLC	VitaFit Invest LLC	
1	Total loan approved	USD	-	1,500,000.00	1,500,000.00
		MNT '000	3,900,000.00	-	3,900,000.00
2	Guarantee 50%	USD	-	750,000.00	750,000.00
		MNT '000	1,950,000.00	-	1,950,000.00
3	Bank loan	USD	-	750,000.00	750,000.00
		MNT '000	1,950,000.00	-	1,950,000.00
4	Project un-used funds	USD	-	750,000.00	750,000.00
		MNT '000	1,950,000.00	-	1,950,000.00
5	Loans outstanding as of 31 Dec 2017	USD	-	187,500.00	187,500.00
		MNT '000	343,400.00	-	343,400.00
6	Loan repayment in 2018	USD	-	150,000.00	150,000.00
		MNT '000	152,000.00	-	152,000.00
7	Loans outstanding as of 31 Dec 2018	USD	-	37,500.00	37,500.00
		MNT '000	191,400.00	-	191,400.00
8	Loan repayment in 2019*	USD	-	37,500.00	37,500.00
		MNT '000	191,400.00	-	191,400.00
9	Loans outstanding as of 31 Dec 2019	USD	-	-	0.00
		MNT '000	-	-	0.00

*The amount includes the loan repayments made during the period of 1 Jan 2019 to 31 Dec 2019

	Currency	Total	Loan repayment
			(USD)
Loan repayments during 1st Jan 2019 - 31st Dec 2019	USD	37,500.00	37,500.00
	MNT '000	191,400.00	72,506.18
Total			110,006.18

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The Statement of outstanding loan balances of VCI Loan contracts - Additional financing

Project Participating Bank	PPEs	Loans approved in 2019	Total loans issued by bank	Balance of financing unused	Loan balance as of 31 Dec 2018	Loan repayment in 2019	Loan balance as of 31 Dec 2019
		MNT'000	MNT'000	MNT'000	MNT'000	MNT'000	MNT'000
Khan bank	Khan Brand LLC				800,000.00	160,008.00	639,992.00
	Russkie Kolbasy LLC				375,000.00	75,000.00	300,000.00
	Khanbogd Cashmere LLC				5,400,000.00	601,136.23	4,798,863.77
	Monmeat Trade LLC				1,020,000.00		1,020,000.00
	Zurgan Khoshuu LLC				1,800,000.00		1,800,000.00
	Bayalag Ulzii LLC				1,300,000.00		1,300,000.00
	Uguuj Mandal Uul LLC				1,400,000.00	58,333.40	1,341,666.60
	Yannal LLC				3,500,000.00	318,182.40	3,181,817.60
	Zavkhan Bayalag JSC		1,088,000.00				1,088,000.00
	Erdmeat LLC	2,200,000.00	2,200,000.00				2,200,000.00
Xac bank	Tumen Shuvuut LLC				3,000,000.00	250,000.00	2,750,000.00
Golomt Bank	Noos Ireeduie LLC				3,000,000.00		3,000,000.00
	Mongolian Cattle LLC				312,500.00	46,875.00	265,625.00
	Darkhan Nakhii JSC				4,100,000.00	71,929.83	4,028,070.18
	Choir Khairkhan LLC				1,500,000.00	281,250.00	1,218,750.00
	GBT Trading LLC				4,600,000.00		4,600,000.00
	Ikh Aurag Ord LLC				380,000.00	181,043.00	198,957.00
	Jinst Murun LLC				390,000.00	56,875.00	333,125.00
	Khurkh Gol LLC				2,000,000.00	194,444.44	1,805,555.56
	Mihachi LLC				600,000.00		600,000.00
	Mongol Textile LLC				2,000,000.00	83,333.33	1,916,666.67
	Munkhbumud LLC		958,000.00				958,000.00
	Natural Textile Group LLC	7,200,000.00	7,200,000.00				7,200,000.00
	Efes Khuns LLC	1,500,000.00	1,500,000.00				1,500,000.00
	Jigd Khuch LLC	650,000.00	650,000.00				650,000.00
	Jur Ur LLC	1,600,000.00	1,600,000.00				1,600,000.00
	Sor Cashmere LLC				5,457,300.00		5,457,300.00
	Dayshilt Trade LLC				500,000.00	112,000.00	388,000.00
	Denimon LLC				500,000.00		500,000.00
Trade and Development bank	Mogol Noos LLC				2,500,000.00		2,500,000.00
	Gobi JSC				6,000,000.00		6,000,000.00

	Ajigana LLC				6,000,000.00		6,000,000.00
	Jivertyn Orgil LLC	3,400,000.00	3,400,000.00				3,400,000.00
	Nuudol Tejeel LLC				1,315,000.00		1,315,000.00
UB City bank	Best Shoes LLC		1,480,000.00			80,000.00	1,400,000.00
	Trust Trade LLC	6,550,000.00	5,750,000.00	800,000.00			5,750,000.00
NI bank	Ikh Uiam Undrakh LLC				375,000.00		375,000.00
	Total	23,100,000.00	25,826,000.00	800,000.00	66,124,800.00	2,570,415.63	83,380,384.37


 ДАЛАЙВАН АУДИТ
 DALAIWAN AUDIT LLC
 ULAANBAATAR
 MONGOLIA

June 15, 2020