Audited Project Financial Statements

Project Number: 39229-022
Loan Number: 3287, 3288
Period Covered: 1 January 2021 to 31 December 2021

Mongolia: Agriculture and Rural Development Project - Additional Financing

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

For the Asian Development Bank
Date accepted by ADB: 21 March 2022

BAKER TILLY DALAIVAN AUDIT

AUDITOR'S REPORT

REVISED

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

Financial statement as of
September 10, 2021

bakertilly INTERNATIONAL

CONTENT

"BAKER TILLY DALAIVAN AUDIT" LLC
CERTIFIED ACCOUNTING, AUDITING
& APPRAISAL

Agriculture and Rural Development Project
Хөдөө аж ахуй, хөдөөгийн хөгжлийн төсөл

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BAKER TILLY
DALAIVAN AUDIT LLC

22 September 2021

#01-2021/119

PIU Management Responsibility Letter
for preparation and approval of the financial statements
as of September 10, 2021

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 September 10, 2021 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 September 10, 2021.

ARDP-VOD
0115-MON(SF)
ГСТ
УЛААНБААТАР ХОТ

J.Tuvshinsanaa
Project Coordinator

Z.Ariuntsetseg
Accountant

BAKER TILLY
DALAIVAN AUDIT
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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 final 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 September 10, 2021, 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 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 client in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in 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

The project implementation period is December 31, 2020, and the loan closing date is June 30, 2021. The project closing report was prepared for the period ended September 10, 2021.

We draw attention to note "Basis for preparation" of the financial statements, which sets out the basis on which the financial statements are prepared and the reasons why they are not prepared on going concern basis.

Project 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.

УЛААНБААТАР ХОТ

BAKER TILLY
DALAIVAN AUDIT LLC
ULAANBAATAR
MONGOLIA

SEPTEMBER 22, 2021

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 September 10, 2021

In USD

Items	Note	Dec 31, 2020	Sep 10, 2021
ASSETS			
CASH AND CASH EQUIVALENTS	4.1	**3,780,854.04**	**1,962.65**
RECEIVABLES:		**32,915,606.94**	-
Sub-loans from the additional financing of the project	4.2	32,838,117.24	-
Interest receivable	4.3	77,489.70	-
PREPAID EXPENSES		**7,261.03**	-
Prepaid expenses	4.4	7,261.03	-
INVENTORIES		**1,951.69**	-
Supplies	4.5	1,951.69	-
TOTAL CURRENT ASSETS		**36,705,673.70**	**1,962.65**
FIXED ASSETS		**4,417.46**	-
Vehicles	4.6	72,145.52	-
Accumulated depreciation	4.6	(72,145.52)	-
Computer and spare parts	4.6	36,965.58	-
Accumulated depreciation	4.6	(32,548.12)	-
Other fixed assets	4.6	1,361.98	-
Accumulated depreciation	4.6	(1,361.98)	-
INTANGIBLE ASSETS			
Software	4.6	6,559.04	-
Accumulated amortization	4.6	(6,559.04)	-
TOTAL NON-CURRENT ASSETS		**4,417.46**	-
TOTAL ASSETS		**36,710,091.16**	**1,962.65**
LIABILITIES AND NET ASSETS/EQUITY			
LIABILITIES:			
SHORT TERM LIABILITIES			
Account payable	4.9	998.42	-
Unearned revenue			
Unearned VCI loan interest income	4.10	2,840.10	-
LONG TERM LIABILITIES			
ADB Loan	4.7	41,574,143.31	-
ADB Loan interest and commitment charges	4.8	2,296,375.77	-
Long-term liabilities			
TOTAL LIABILITIES		**43,874,357.60**	-

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 September 10, 2021

In USD

Items	Note	Dec 31, 2020	Sep 10, 2021
NET ASSETS/EQUITY:			
Government contribution	4.11	498,608.95	-
Revolving fund accounts	4.11	7,382,781.56	-
Accumulated surplus/(deficit)	4.11	(15,045,656.95)	1,962.65
Current period		(10,037,941.05)	189,878.90
Previous period		(5,007,715.90)	(187,916.25)
TOTAL NET ASSETS/EQUITY		**(7,164,266.44)**	**1,962.65**
TOTAL LIABILITIES AND NET ASSETS/EQUITY		**36,710,091.16**	**1,962.65**

Prepared and reviewed by:

J.Batsaikhan
Project Director

ARDP-VCD
0115-MON(SF)
ГСТ 0131
УЛААНБААТАР ХОТ

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 FINANCIAL PERFORMANCE
as at September 10, 2021

In USD

Items	Note	Dec 31, 2020	Sep 10, 2021
OPERATING REVENUE			
VCI sub-loan interest income	4.12	1,422,560.44	856,627.66
Deposit interest income	4.12	53,699.42	-
Bank interest income (for ADB accounts)	4.12	1,151.61	-
Bank interest income (for Revolving fund accounts)	4.12	103,292.32	77,533.09
Bid income	4.12	1,437.69	-
TOTAL OPERATING REVENUE		**1,582,141.48**	**934,160.75**
OPERATING EXPENSES			
ADB financing		**(2,985,435.81)**	**(716,657.18)**
Consulting services	4.12	(178,028.17)	-
Training	4.12	(262,942.87)	(141,608.16)
Work	4.12	(425,625.12)	(45,242.19)
Equipment	4.12	(33,647.92)	-
Materials	4.12	(8,194.34)	(432,382.37)
Marketing and Brand Development	4.12	(69,234.52)	(51,417.19)
Audit expense	4.12	(6,691.78)	(11,811.42)
Project Management expenses	4.12	(98,731.81)	(81,078.56)
Bank charges	4.12	(184.34)	(84.24)
ADB Loan interest expense-OCR	4.12	(378,447.28)	-
ADB Loan interest expense-ADF	4.12	(177,171.23)	39,144.20
State bank's interest income transfer to the Treasury	4.12	(1,151.61)	-
Foreign currency gain/(loss)	4.13	(1,345,384.83)	7,822.75
GOM financing		**(8,634,646.72)**	**(27,624.67)**
Project Management expenses	4.12	(44,416.98)	(28,565.28)
Depreciation expense	4.12	(1,915.93)	(902.21)
Bidding expenses	4.12	(1,197.86)	-
Closing of some Government accounts	4.12	(8,410,430.69)	-
Loss on disposal of assets	4.12	-	(662.69)
Foreign currency gain/(loss)	4.13	(176,685.26)	2,505.51
TOTAL OPERATING EXPENSES		**(11,620,082.53)**	**(744,281.85)**
NET SURPLUS/(DEFICIT) FOR THE PERIOD		**(10,037,941.05)**	**189,878.90**

Prepared and reviewed by:

ARDP-VCD
0115-MON(SF)

J.Batsaikhan
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 September 10, 2021

In USD

Items	Government contribution	Revolving fund accounts	Accumulated surplus/(deficit)	Total
Balance at December 31, 2019	**452,800.14**	**7,382,781.56**	**(5,011,995.05)**	**2,823,586.65**
Changes in accounting policies			4,279.15	4,279.15
Restated balance	**452,800.14**	**7,382,781.56**	**(5,007,715.90)**	**2,827,865.80**
Amounts collected for the period				
Unrecognized gain/(losses) in the statement of financial performance				
Foreign currency gain/(loss)				
Net surplus/(deficit) for the period	45,808.81	-	(10,037,941.05)	(9,992,132.24)
Balance at December 31, 2020	**498,608.95**	**7,382,781.56**	**(15,045,656.95)**	**(7,164,266.44)**
Changes in accounting policies*			(4,703.90)	(4,703.90)
Restated balance	**498,608.95**	**7,382,781.56**	**(15,050,360.85)**	**(7,168,970.34)**
Amounts collected for the period				
Unrecognized gain/(losses) in the statement of financial performance	(527,170.33)	(7,382,781.56)	14,862,444.60	**6,952,492.71**
Foreign currency gain/(loss)				
Net surplus/(deficit) for the period	28,561.38	-	189,878.90	**218,440.28**
Balance at September 10, 2021	-	-	**1,962.65**	**1,962.65**

Prepared and reviewed by:

ARDP-VCD
0315-MON(SF)

J.Batsaikhan
Project Director

J.Tuvshinsanaa
Project Coordinator

Z.Ariuntsetseg
Project Accountant

*- disclosure 4.11

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 September 10, 2021

In USD

Items	Dec 31, 2020	Sep 10, 2021
CASH INFLOWS FROM OPERATING ACTIVITIES		
Cash inflows from operating activities		
Government contribution	45,808.81	28,561.38
Received from ADB (OCR)	730,440.67	-
Received from ADB (ADF) VCI	6,079,795.98	-
Received from ADB (ADF)	1,012,086.82	-
Bank interest income (ADB fund)	1,151.61	-
Received from VCI loan interest income	1,380,565.86	931,268.66
Refund of the previous year's Treasury account outstanding	4,279,718.52	-
Bidding income	1,437.69	-
Total cash inflows from operating activities	**13,531,005.96**	**959,830.04**
CASH OUTFLOWS FROM OPERATING ACTIVITIES		
Payments financed from ADB Loan	**(615,527.02)**	**(277,785.36)**
Training	(259,031.56)	(141,240.41)
Consulting services	(178,028.17)	-
Marketing and brand development	(72,471.98)	(48,179.73)
Audit expense	(6,691.78)	(11,811.42)
PMU staff expenses	(57,474.85)	(66,462.96)
Postage and communication costs	(1,741.99)	(812.24)
LAN, Anti-virus software and PC maintenance expenses	(1,132.21)	(540.31)
Advertising expense	(1,174.34)	-
Office supplies	(2,835.36)	(939.22)
Site visit expenses	(13,654.28)	(477.20)
Fuel expenses	(4,221.38)	(736.87)
Car repair and garage expenses	(10,819.90)	(2,715.63)
Car insurance and car taxes	(1,170.40)	(1,017.51)
Other expenses	(3,742.87)	(2,767.62)
Bank charges	(184.34)	(84.24)
State bank's interest income transfer to the Treasury	(1,151.61)	-
Payments financed from GOM financing	**(13,430,352.00)**	**(10,797,430.95)**
Social insurance contributions	(7,131.75)	(7,838.41)
Office rent	(37,273.80)	(20,720.83)
Stationery	-	(1.80)
Closing of some Government accounts	(8,410,430.69)	-
Transferred to MOFALI on closure of project accounts	-	(10,768,865.67)
VCI sub-loan repayment & interest payment	(4,974,306.47)	-
Bank charges	(11.43)	(4.24)
Bidding expense	(1,197.86)	-
Total cash outflows from operating activities	**(14,045,879.02)**	**(11,075,216.31)**
NET CASH FLOWS FROM OPERATING ACTIVITIES	**(514,873.06)**	**(10,115,386.27)**

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 September 10, 2021

In USD

Items	Dec 31, 2020	Sep 10, 2021
CASH INFLOWS FROM INVESTING ACTIVITIES		
VCI sub-loan repayments (additional financing)	3,537,294.17	6,476,532.16
Deposit bank interest income	53,699.42	-
Interest income received	103,292.32	77,533.09
Civil works	(309,825.67)	(17,259.88)
Purchase of equipment (output 3)	(33,647.92)	-
Purchase of materials (output 2)	(8,194.34)	(26,751.72)
NET CASH FLOWS FROM INVESTING ACTIVITIES	**3,342,617.98**	**6,510,053.65**
CASH OUTFLOWS FROM FINANCING ACTIVITIES		
VCI funding	(7,148,250.83)	(175,465.78)
Cash paid as the repayment of loans		(590.18)
NET CASH FLOWS FROM FINANCING ACTIVITIES	**(7,148,250.83)**	**(176,055.96)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(4,320,505.91)**	**(3,781,388.58)**
Foreign currency gain/(loss)	(213,414.91)	2,497.19
Cash and cash equivalents at the beginning of the year	**8,314,774.86**	**3,780,854.04**
Cash and cash equivalents at the end of the year	**3,780,854.04**	**1,962.65**

Prepared and reviewed by:

J.Datsaikhan
Project Director

J.Tuvshinsanaa
Project Coordinator

Z.Ariuntsetseg
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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 period ended September 10, 2021 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** frameworks to support withdrawals.

We have conducted our audit in accordance with International Standards on Auditing (ISAs) issued by the International Auditing and Assurance Standards Board under the International Federation of Accountants, 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 that the audit evidence we have obtained is sufficient and appropriate to provide a 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.

УЛААНБААТАР ХОТ
БЭЙКЕР ТИЛЛИ ДАЛАЙВАН АУДИТ ХХК

BAKER TILLY
DALAIVAN AUDIT LLC
ULAANBAATAR
MONGOLIA

SEPTEMBER 22, 2021

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 September 10, 2021

In USD

	Cumulative to Dec 31, 2020	For the reporting period 2021	Cumulative to Sep 10, 2021
SOURCES	**71,916,418.09**	**7,905,964.72**	**79,822,382.81**
ADB loan funds	**48,858,589.69**	**393,878.58**	**49,252,468.27**
ADB ADF Fund (VCI)	8,929,542.54	(39,144.20)	8,890,398.34
ADB OCR Fund (VCI)	35,000,000.00	-	35,000,000.00
ADB ADF Fund (Other)	4,915,283.01	433,022.78	5,348,305.79
Bank Interest earned	13,764.14	-	13,764.14
Government funds	**18,776,672.19**	**7,512,086.14**	**26,288,758.33**
GOM Funds	498,608.95	28,561.38	527,170.33
Revolving Fund	7,382,781.56	-	7,382,781.56
Deposit Interest earned	2,160,416.62	-	2,160,416.62
Bank Interest earned	280,624.45	77,533.09	358,157.54
Other income	4,265.91	(1,809.15)	2,456.76
Revolving Fund: 39229-033	4,549,414.79	6,476,532.16	11,025,946.95
VCI Loan interest income	3,900,559.91	931,268.66	4,831,828.57
Bidding income	**1,437.69**	-	**1,437.69**
Refund of the previous year's Treasury account outstanding	**4,279,718.52**	-	**4,279,718.52**
TOTAL SOURCES OF FUNDS	**71,916,418.09**	**7,905,964.72**	**79,822,382.81**
USES OF FUNDS			
ADB loan funds	**48,337,791.83**	**900,912.30**	**49,238,704.13**
Works	425,625.12	45,242.19	470,867.31
Consulting services	886,634.06	-	886,634.06
Equipment	884,536.47	-	884,536.47
Materials	594,736.30	432,382.37	1,027,118.67
ADF VCI Loans	8,669,283.53	38,529.99	8,707,813.52
OCR VCI Loans	32,801,990.02	148,009.98	32,950,000.00
Training	1,058,403.51	139,431.26	1,197,834.77
Project management expenses	490,885.38	76,469.56	567,354.94
Audit expense	24,673.29	11,811.42	36,484.71
Marketing & Brand development	204,648.38	48,179.73	252,828.11
Financial Charges	2,296,375.77	(39,144.20)	2,257,231.57
Government funds	**19,796,574.36**	**10,783,943.81**	**30,580,518.17**
Training	9,858.15	-	9,858.15
Consulting services	1,216.27	-	1,216.27
Project management expenses	215,238.29	28,561.04	243,799.33
Bank charges	855.82	88.48	944.30
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	17,965,333.62	-	17,965,333.62

"BAKER TILLY DALAIVAN AUDIT" LLC
CERTIFIED ACCOUNTING, AUDITING

Transferred to MOFALI	-	10,768,865.67	10,768,865.67
Foreign exchange difference (Loss)	1,471,473.23	(13,571.38)	1,457,901.85
Transfer to ADB and GOM Imp.Account	3,772.11		3,772.11
Bidding expense	**1,197.86**	-	**1,197.86**
TOTAL USES OF FUNDS	**68,135,564.05**	**11,684,856.11**	**79,820,420.16**
Surplus of receipts over expenditure	**3,780,854.04**	**(3,778,891.39)**	**1,962.65**

Prepared and reviewed by:

J.Batsaikhan
Project Director

J.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 ADF STATEMENT OF EXPENDITURES
for the period 1 Jan – 10 Sep 2021

	Civil works	Equipment and materials	Consulting services	Value chain investment	Training	Marketing, brand development	Project management	Interest	**Total (USD)**
B0017		54,048.41							**54,048.41**
B0018		109,702.22							**109,702.22**
B0019		241,880.02							**241,880.02**
B0020	17,546.65								**17,546.65**
B0021	10,435.66								**10,435.66**
C0034				5,312.62					**5,312.62**
C0036				8,570.62					**8,570.62**
A0018*	110,057.13	26,751.72	10,203.42	24,646.75	150,800.73	55,636.49	94,889.69		**472,985.93**
CAP								(39,144.20)	**(39,144.20)**
Total (USD)	**138,039.44**	**432,382.37**	**10,203.42**	**38,529.99**	**150,800.73**	**55,636.49**	**94,889.69**	**(39,144.20)**	**881,337.93**
Total reflected in LFIS	**138,039.44**	**432,382.37**	**10,203.42**	**38,529.99**	**150,800.73**	**55,636.49**	**94,889.69**	**(39,144.20)**	**881,337.93**
Difference	-	-	-	-	-	-	-	-	-

* On September 10, 2021, Withdrawal A0018 was issued for the amount of USD 472,985.93, of which USD 128,435.61 is related to 2020 and USD 344,550.32 is related to 2021.

Prepared and reviewed by:

J.Batsaikhan
Project Director

J.Tuvshinsanaa
Project Coordinator

Z.Ariuntsetseg
Project Accountant

ARDP-VCD
C115-MON(SF)

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

AUDITED ADF STATEMENT OF EXPENDITURES (VCI-ADF SOEs)
for the period 1 Jan – 10 Sep 2021

In USD

№	Name of PPEs contract	SOE record	Total disbursement	Difference
1	Jinst Murun LLC-2	29,959.37	29,959.37	-
2	Jigd Khuch LLC	263.83	263.83	-
3	Jur Ur LLC	649.42	649.42	-
4	Trust Trade LLC	7,657.37	7,657.37	-
	Total	**38,529.99**	**38,529.99**	**-**

Prepared and reviewed by:

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ARDP-VCD
0115-MON(SF)
ГСТ №0131

The Government of Mongolia
Asian Development Bank
Loan 3288-MON
Agriculture and Rural Development Project-Additional Financing
AUDITED OCR STATEMENT OF EXPENDITURES (VCI-OCR SOEs)
for the period 1 Jan – 10 Sep 2021

In USD

№	Name of PPEs contract	SOE record	Total disbursement	Difference
1	Jinst Murun LLC-2	145,506.41	145,506.41	-
2	Jivertiin Orgil LLC	145.00	145.00	-
3	Natural Textile Group LLC	989.32	989.32	-
4	Erdmeat LLC	503.18	503.18	-
5	Efes Khuns LLC	(87.75)	(87.75)	-
6	Trust Trade LLC	953.82	953.82	-
	Total	**148,009.98**	**148,009.98**	**-**

Prepared and reviewed by:

J.Batsaikhan
Project Director

J.Tuvshinsanaa
Project Coordinator

Z.Ariuntsetseg
Project Accountant

ARDP-VCD
0118-MON(SF)
ГСТ 0131
УЛААНБААТАР ХОТ

BAKER TILLY
DALAIVAN AUDIT
Audit assurance, property and business valuation advisory services

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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 period ended September 10, 2021 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 International Standards on Auditing (ISAs) issued by the International Auditing and Assurance Standards Board under the International Federation of Accountants, 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 that the audit evidence we have obtained is sufficient and appropriate to provide a 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.

УЛААНБААТАР ХОТ
БЭЙКЕР ТИЛЛИ

BAKER TILLY
DALAIVAN AUDIT LLC
ULAANBAATAR
MONGOLIA

SEPTEMBER 22, 2021

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INTERNATIONAL

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 September 10, 2021

	2020.12.31 USD	2021.09.10 USD
Part A - Account transactions		
Beginning balance	**193,164.97**	**5,312.62**
Add:		
Total amount deposited current year	6,079,795.98	-
From sub account	-	-
Bank interest earned	-	-
Deduct:		
Total amount withdrawn	-	-
Transferred to sub-account (USD)	6,267,648.33	5,312.62
Transfer to ADB	-	-
Bank charges	-	-
Ending balance	**5,312.62**	**-**
Part B - Account reconciliation		
Amount advanced by the ADB	-	-
Balance of Imprest Account at the end of the year	**5,312.62**	**-**
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.	**5,312.62**	**-**

Prepared and reviewed by:

J.Batsaikhan
Project Director

J.Tuvshinsanaa
Project Coordinator

Z.Ariuntsetseg
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 September 10, 2021

	2020.12.31 USD	2021.09.10 USD
Part A - Account transactions		
Beginning balance	**3,005.32**	**145,506.41**
Add:		
Total amount deposited current year	730,440.67	-
From sub account	-	-
Bank interest earned	-	-
Deduct:		
Total amount withdrawn	-	-
VCI Loan transferred	587,939.58	145,506.41
Transfer to ADB	-	-
Bank charges	-	-
Ending balance	**145,506.41**	-
Part B - Account reconciliation		
Amount advanced by the ADB		
Balance of Imprest Account at the end of the year	**145,506.41**	-
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.	**145,506.41**	-

Prepared and reviewed by:

J.Batsaikhan	J.Tuvshinsanaa	Z.Ariuntsetseg
Project Director	Project Coordinator	Project Accountant

ARDP-VCD
0115-MON(SF)

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 September 10, 2021

	2020.12.31 USD	2021.09.10 USD
Part A - Account transactions		
Beginning balance	**292,686.15**	**290,023.27**
Add:		
Total amount deposited current year	1,012,086.82	-
Bank interest earned	1,151.61	-
Other income	7,439.67	-
Deduct:		
Total amount withdrawn	7,771.31	9,319.71
Refunded to ADB		590.18
Transferred to sub-account (USD)	-	-
Transferred to Treasury account (MNT)	-	-
Transferred to sub-account (MNT)	1,014,233.72	278,068.52
Bank charges	184.34	84.24
Closing of account	1,151.61	-
Ending balance	**290,023.27**	**1,960.62**
Part B - Account reconciliation		
Amount advanced by the ADB	**473,576.11**	**473,576.11**
Balance of Imprest Account at the end of the year	**290,023.27**	**1,960.62**
Add:		
Amount claimed and not yet credited	128,435.61	472,985.93
Bank Charges	685.38	769.62
Ending balance of MNT Account No.100900011912 at Treasury	42,207.46	-
Ending balance of MNT Account No.104900067747 State Bank	72.21	2.03
Ending balance of MNT Account No. 100900011809 Treasury	16,572.26	-
Ending balance of MNT Petty cash	129.66	-
Refunded to ADB		590.18
Interest income allocation	1,151.61	3,772.11
Foreign exchange difference (Loss)	17,165.58	7,259.76
Deduct:		-
Bank interest earned	13,764.14	13,764.14
Foreign exchange difference (Gain)	(71.40)	-
Other income	9,174.19	-
Total advance transferred to Imprest account.	**473,576.11**	**473,576.11**

Prepared and reviewed by:

ARDP-VCD 0115-MON(SF)

J.Batsaikhan	J.Tuvshinsanaa	Z.Ariuntsetseg
Project Director	Project Coordinator	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 September 10, 2021

	2020.12.31 USD	2021.09.10 USD
Account transactions		
Beginning balance	**1.55**	**72.21**
Add:		
Replenishment from Imprest Account (State bank)	-	-
Replenishment from Operational Account (State bank-USD)	-	-
Transferred from Sub-account at Treasury (100900011912)	14,460.92	677.32
Transferred from Sub-account at Treasury (100900011809)	-	105.27
Bank interest earned	-	-
Foreign exchange difference (Gain)	4.53	-
Deduct:		
Transferred to cash on hand (MNT)	-	175.45
Transferred to MNT Sub-account at Treasury (100900011110)		
Training (RID, VCI, PMU)	14,394.79	677.32
Project Management expenses		
PMU staff remuneration	-	-
Communication expenses	-	-
Advertisement expenses		
Office supplies	-	-
Field trips	-	-
Transportation expenses (fuel)	-	-
Transport repair, service & garage expenses	-	-
Other expenses	-	-
Bank Charges	-	-
Foreign exchange difference (Loss)	-	-
Ending balance	**72.21**	**2.03**

Prepared and reviewed by:

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ARDP-VCD 0115-MON(SF)

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 September 10, 2021

	2020.12.31 USD	2021.09.10 USD
Account transactions		
Beginning balance	**7.94**	**129.66**
Add:		
Transferred from MNT Sub-account at State bank (104900067747)	-	175.45
Transferred from Sub-account (at Treasury 100900011809)	702.18	-
Other income	-	-
Foreign exchange difference (Gain)	0.18	-
Deduct:		
Marketing and Brand development expenses		
Training	-	-
Project Management expenses		
Communication expenses	71.20	4.79
Advertisement expenses	-	-
Office supplies	157.77	102.24
Field trips	3.06	-
Transportation expenses (fuel)	-	-
Transport repair, service & garage expenses	222.46	67.90
Other expenses	126.15	130.16
Foreign exchange difference (Loss)	-	0.02
Ending balance	**129.66**	**-**

Prepared and reviewed by:

ARDP-VCD
0115-MON(SF)

I.Batsaikhan	J.Tuvshinsanaa	Z.Ariuntsetseg
Project Director	Project Coordinator	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 September 10, 2021

	2020.12.31 USD	2021.09.10 USD
Account transactions		
Beginning balance	**77,093.60**	-
Add:	-	-
Transferring funds from ARDP	-	-
VCI Loan repayment	-	-
Loan repayment	-	-
Bank interest earned	121.70	-
Other income	-	-
Deduct:		
Transferred to the BOM Imprest Account	-	-
Transferred to Operational Accounts	-	-
Transferred to the Treasury	77,213.71	-
Bank Charges	1.59	-
Ending balance	**-**	**-**

Prepared and reviewed by:

ARDP-VCD
9115-MON(SF)

J.Batsaikhan
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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 September 10, 2021

	2020.12.31 USD	2021.09.10 USD
Account transactions		
Beginning balance	**105,287.96**	-
Add:		
Transferring funds from ARDP	-	-
VCI Loan repayment	-	-
VCI Loan interest income	495.36	-
Other income	-	-
Foreign exchange difference (Gain)	-	-
Deduct:		
Transferred to the BOM Imprest Account	-	-
Transferred to Operational Accounts	-	-
Transferred to the Treasury	104,873.79	-
Bank Charges	1.20	-
Foreign exchange difference (Loss)	908.33	-
Ending balance	-	-

Prepared and reviewed by:

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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 September 10, 2021

	2020.12.31 USD	2021.09.10 USD
Account transactions		
Beginning balance	**1,793,500.00**	-
Add:		
From Revolving Fund account	-	-
Bank interest earned	16,067.79	-
Other income	-	-
Deduct:		
Transferred to the BOM Imprest Account	-	-
Transferred to the Treasury	1,809,566.56	-
Bank Charges	1.23	-
Ending balance	-	-

Prepared and reviewed by:

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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 September 10, 2021

	2020.12.31 USD	2021.09.10 USD
Account transactions		
Beginning balance	**2,118,499.22**	-
Add:		
From Revolving Fund account	-	-
Bank interest earned	37,631.63	-
Foreign exchange difference (Gain)	-	-
Deduct:		
Transferred to the BOM Imprest Account	-	-
Transferred to the Treasury	2,137,866.89	-
Bank Charges	0.84	-
Foreign exchange difference (Loss)	18,263.12	-
Ending balance	-	-

Prepared and reviewed by:

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

AUDITED STATEMENT OF GOV CASH ON HAND (MNT)
as at September 10, 2021

	2020.12.31 USD	2021.09.10 USD
Account transactions		
Beginning balance	**1.88**	**1.80**
Add:		
Replenishment from Sub-Account (State bank - USD)	-	-
Replenishment from Sub-Account (State bank - MNT)	-	-
Other income	-	-
Foreign exchange difference (Gain)	-	-
Deduct:		
Stationery expenses	-	1.80
Foreign exchange difference (Loss)	0.08	-
Ending balance	**1.80**	**-**

Prepared and reviewed by:

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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 September 10, 2021

	2020.12.31 USD	2021.09.10 USD
Account transactions		
Beginning balance	**921,838.99**	**690,613.03**
Add:		
Transferring funds from ARDP	-	-
VCI Loan repayment	-	-
VCI Loan interest income	-	-
Bank interest income	17,044.17	1,646.05
Other income-fines	-	-
Foreign exchange difference (Gain)	-	192.04
Deduct:		
Transferred to the BOM Imprest Account	-	-
Transferred to Operational Accounts	217,059.44	-
Bank Charges	-	-
Transferred to MOFALI	-	692,451.12
Foreign exchange difference (Loss)	31,210.69	-
Ending balance	**690,613.03**	**-**

Prepared and reviewed by:

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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 September 10, 2021

	2020.12.31 USD	2021.09.10 USD
Account transactions		
Beginning balance	**2,236,247.63**	**2,269,682.85**
Add:		
Transferring funds from ARDP	-	-
VCI Loan repayment	32,020.58	-
VCI Loan interest income	16,807.90	-
Bank interest income	85,631.09	75,887.04
Other income-fines	-	-
Foreign exchange difference (Gain)	-	647.49
Deduct:		
Transferred to the BOM Imprest Account	-	-
Transferred to Operational Accounts	-	-
Transferred to Sub- account (at Treasury 100900011939)	7,465.84	-
Bank Charges	6.57	4.24
Transferred to MOFALI	-	2,346,213.14
Foreign exchange difference (Loss)	93,551.94	-
Ending balance	**2,269,682.85**	**-**

Prepared and reviewed by:

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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 September 10, 2021

	2020.12.31 USD	2021.09.10 USD
Account transactions		
Beginning balance	**270,524.39**	**320,732.47**
Add:		
Transferred from MNT sub-account (BOM 3430403014)	587,939.58	145,506.41
Replenishment from Operational Account (National investment bank 2999005481)	217,059.44	-
Transferred from MNT sub-account (Chinggis Khan bank 5101000198)	7,465.96	-
VCI Sub-Loan interest income	1,363,757.96	931,268.66
VCI Sub-Loan principal repayment	3,505,273.59	6,476,532.16
Foreign exchange difference (Gain)	-	1,668.12
Deduct:		
VCI Loans	587,939.58	145,506.41
VCI sub-loan repayment & interest payment (Ministry of Finance Mongolia)	4,974,306.47	-
Transferred to MOFALI	-	7,730,201.41
Foreign exchange difference (Loss)	69,042.40	
Ending balance	**320,732.47**	-

Prepared and reviewed by:

J.Batsaikhan
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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 September 10, 2021

	2020.12.31 USD	2021.09.10 USD
Account transactions		
Beginning balance	**292,676.04**	**42,207.46**
Add:		
Income from Gov't Imprest Account (State bank 106000037032, Treasury 201900011912)	733,098.59	211,096.72
Transferred from MNT sub-account (BOM 3430403015)	6,267,648.32	5,312.62
Foreign exchange difference (Gain)	49.34	-
Deduct:		
Transferred from MNT sub-account (State bank 104900067747)	14,467.38	677.32
VCI Loans	6,560,311.25	29,959.37
Marketing and Brand development expenses	69,836.55	48,179.73
Training	247,156.47	135,783.09
Equipment and materials	41,842.26	26,751.72
Civil works	309,825.67	17,259.88
Project Management expenses		
PMU staff remuneration	-	-
Communication expenses (internet and handphone)	-	-
Advertisement expenses	91.41	-
Car insurance	1,042.06	-
Audit expense	6,691.78	-
Foreign exchange difference (Loss)	-	5.69
Ending balance	**42,207.46**	-

Prepared and reviewed by:

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ARDP-VCD
0115-MON(SF)
ГСТ 0131

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 September 10, 2021

	2020.12.31 USD	2021.09.10 USD
Account transactions		
Beginning balance	**10,239.22**	**16,572.26**
Add:		
Transferred from MNT sub-account (State bank 106000037032, Treasury 201900011912)	281,140.74	66,971.80
Other income	1,809.15	-
Deduct:		
Transferred from MNT sub-account (State bank 104900067747)	-	105.27
Transferred to cash on hand (MNT)	702.18	-
Training	1,593.24	
Consulting Services	178,028.17	28,180.94
Project Management expenses		
PMU staff remuneration	57,474.85	38,282.02
Communication expenses (internet and handphone)	2,803.00	1,347.76
Advertisement expenses	1,082.93	-
Office supplies	2,677.59	836.98
Field trips	13,651.22	477.20
Transportation expenses (fuel)	4,221.38	736.87
Transport repair, service & garage expenses	10,725.78	2,647.73
Audit fee	-	7,271.71
Other expenses	3,616.72	3,654.97
Foreign exchange difference (Loss)	39.79	2.61
Ending balance	**16,572.26**	**-**

Prepared and reviewed by:

J.Batsaikhan 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 MNT SUB-ACCOUNT AT TREASURY
(Treasury-100900011606 GOV)
as at September 10, 2021

	2020.12.31 USD	2021.09.10 USD
Account transactions		
Beginning balance	-	-
Add:		
Transferred from a State Bank savings account		
Refund of the previous year's Treasury account outstanding	4,279,718.52	-
Government contribution	45,808.81	14,626.66
Other income	-	-
Bidding income	1,437.69	-
Deduct:		
Training		
Consulting services		
Project Management expenses		
Social Security Contribution	7,131.75	4,266.84
Office rent expenses	37,273.80	10,359.72
Transfer to Treasury	4,280,909.74	-
Bidding cost	1,197.86	-
Foreign exchange difference (Loss)	451.87	0.10
Ending balance	-	-

Prepared and reviewed by:

J.Batsaikhan	J.Tuvshinsanaa	Z.Ariuntsetseg
Project Director	Project Coordinator	Project Accountant

ARDP-VCD
0118-MON(SF)

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-100900011807 GOV)
as at September 10, 2021

	2020.12.31 USD	2021.09.10 USD
Account transactions		
Beginning balance	-	-
Add:		
Transferred from a State Bank savings account	-	-
Refund of the previous year's Treasury account outstanding	-	-
Government contribution	-	13,934.72
Other income	-	-
Bidding income	-	-
Deduct:		
Training	-	-
Consulting services	-	-
Project Management expenses	-	-
Social Security Contribution	-	3,571.57
Office rent expenses	-	10,361.11
Transfer to Treasury	-	-
Bidding cost		-
Foreign exchange difference (Loss)	-	2.04
Ending balance	-	-

Prepared and reviewed by:

ARDP-VCD 0115-MON(SF)

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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 USD 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

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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 September 10, 2021.

No.	Item	Total Amount Allocated for ADB Financing Sep 23, 2021* (USD)	Total expenditures cumulative to Sep 10, 2021 (USD)	Disbursement %
1	Works	717,096.82	470,867.31	65.66%
2	Equipment and Materials	1,919,915.39	1,911,655.14	99.57%
3	Consulting services	886,135.69	886,634.06	100.06%
4	Value Chain Investments	8,685,345.83	8,707,813.52	100.26%
5	Training	1,420,948.06	1,197,834.77	84.30%
6	Marketing and Brand Development	373,764.34	252,828.11	67.64%
7	Project Management	591,482.96	603,839.65	102.09%
8	Interest	207,231.57	207,231.57	100.00%
	Total	**14,801,920.66**	**14,238,704.13**	**96.19%**

* LFIS data as of September 23, 2021.

The table shows the comparison between ADB OCR loan proceeds and cumulative expenditures as of September 10, 2021.

No.	Item	Total Amount Allocated for ADB Financing (USD)	Total expenditures cumulative to Sep 10, 2021 (USD)	Disbursement %
1	Value Chain Investments	32,950,000.00	32,950,000.00	100.00%
2	Interest and commitment charges	2,050,000.00	2,050,000.00	100.00%
	Total	**35,000,000.00**	**35,000,000.00**	**100.00%**

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2. PROJECT IMPLEMENTATION PROGRESS

For the period, from January 1 to September 10, 2021, covered by the auditing, the PMU and subcomponent units had the following focuses. As the closing time stated in the Project document was June 30, 2021, units gave priorities to complete the work and activities planned for 2021, submit final reports to ADB and Executing agencies, complete a brochure and video for publicity of the Project outcome and outputs to the general public and relevant stakeholders. During the period since official closing to 10 September, the focus was made on completing transactions, settling the project accounts, and other administrative tasks and clerical work, such as filing and archiving. Activities carried by the subcomponents as follows.

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

A. Work with project participating banks

(i) The priority of the subcomponent was given to complete assessments and loan processing to use the available funding as fully as possible and as afforded possible by the PMU, continued monitoring to ensure the use of financing for the purpose and took some affordable corrective by the PMU measures and provide needed support and assistance to the contracted media firm in production to make sure quality and thematical coverage.

(ii) Provided assistance and support to some PPEs, who faced some difficulties in repayment due the decline in sales and revenues due to Covid-19 pandemic restrictions and lockdowns. These PPE were referred by the PPBs and PMU made assessments into the financial and business situation of the companies. The PMU received requests supported by the PPBs and executed due diligence through observation, interviews, verifications and researches. 4 assessments were presented to the Project Steering Committee (PSC), who endorsed 3 of them.

(iii) Financing the subproject, approved by the PSC on December 28, 2020 was made to Jinst Murun LLC. MNT 500 million for this subproject was made from remaining proceedings of the Ordinary resource and Special funds of ADB.

(iv) Consultants of the VCI team completed full assessments (business, financial, environment and social) of 2 PPEs subprojects. Tumen shuvuut LLC's subproject for financing expansion of the chicken farm production was presented to the PSC and MNT 6.0 billion subproject was approved, but the financing was not done yet as it was expected to be financed from the Revolving Fund. The assessment reports of the Khan Khuns LLC were completed but not presented to PSC since the PSC meeting was not held before the closure of the subcomponent closing.

(v) 2 PPEs, namely, Ulemj cashmere LLC and Efes Khuns LLC have repaid their loans fully. The reasons to cause repayments were the serious delay in the implementation, and major change in the priority of the implementation to compromise value addition since the PPE has received additional lower interest financing from other financial institution and started giving more priority to export of semi processed and raw cashmere.

(vi) PMU consultants had 13 face-to-face meetings with representatives from 13 PPEs, who presented outlines of their proposals which they wanted to apply for the financing by ADB, provided detailed advice and recommendations to make them bankable, additional research and analysis they need to do to make their proposal viable and sound.

(vii) The Project completion report submitted to ADB was updated and revised to include outputs and outcomes as of June 30, 2021, the Completion report to the Government of Mongolia as of September 10, 2021 was completed.

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Outcome:

As of September 10, 2021, 46 loans, amounted at MNT 112,757,100,000.00 were approved, out of this amount MNT 106,757,100,000.00 or USD 41,657,813.52 was disbursed in accordance to the Onlending agreement. Loan financing by sectors is as follows: wool & cashmere-16, leather-3, apparel-1, meat and meat products-7, dairy-5, intensive framing-5, fodder making-1, canned vegetable -2, wheat seed production-2, bee-farming/honey production-2, sea-buckthorn and berry processing-2. Breakdown of subprojects by locations is as follows: 22 subprojects have been invested and implemented in the countryside, and 24 subprojects - in Ulaanbaatar.

Output 2. Production capacity of herders and farmers improved;
Output 3. Enterprises' marketing and technical capacity improved;
Output 4. Mongolian product brand(s) developed.

The TA project funded by JFPR, responsible for Outputs 2, 3 and 4, has been implemented from March 21, 2017 to June 30, 2021. Technical Advisory Units (TAU) for food and light industry sectors have been established by decree of the State Secretary of MOFALI to provide the overall technical support and guidance.

The TA team has prepared detailed work plan for each sub-sectors encompassing investment, training and studies and obtained approval from the TAUs.

Summary of Activities for each Outputs for the reporting period are:

Output 2. Production capacity of herders and farmers improved;

(i) Within the framework of preparing raw materials that meet the quality of the Mongolian Noble Fibre, we have completed the contract work to conduct technological training required to improve the raw material preparation system within the framework of two pilot experiments: "White Goat Cashmere" and "Blue Yak Wool".
(ii) Completed a contract to establish a sea buckthorn and fruit gene pool (Mother Plant Area). As a result of this work, samples of local natural fruits and berries of Mongolia, and new varieties of fruits grown in our country in recent years, seedlings, seeds and stalks were collected and grown, and research samples were multiplied by accelerated methods. Samples are being grown from 20 different local species of natural sea buckthorn that can be used for breeding research. In addition, we are collecting samples of more than 10 varieties of fruits that have not been tested in our country and using them for selection work to create national varieties.
(iii) A series of video lessons on "Beekeeping Technology and Management" is done and ready in use. The course consists of 5 chapters and 15 sections with five chapters: Bee Spring Care, Bee Summer Care, Bee Autumn Care, Beekeeping Organization, and Beekeeping Health.
(iv) During the reporting period TA team has concentrated on the completion of following on-going research, trials and other activities, and their financing:
  - Translation of the "Technical guidelines of Meat and meat products' production and sales" into English;
  - Printing of the technological guidelines and manuals for growing honey-plants;
  - Printing of Guidelines on the "International standard: Code of ethics in food sector";
  - Printing of the "Meat and Food standards of Australia and New Zealand";
  - Printing of the guidelines on "Increasing of lamb's lean meat";
  - Development of video presentation on "Procedure of issuing bonuses to herders and farmers supplying raw milk to producers"; and
  - "Development and printing of guidelines for quality assurance inspectors of berry products and plants".

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(v) Procurement of food package for herder families affected by the severe winter. MNT1.2 billion food assistance was provided to 15,250 herder families of 12 aimags.

(vi) Payment on acceptance for the construction of 50 livestock water points in 10 aimag, and final payments for the inspection and monitoring of construction works in Bayan-Ulgii, Bulgan, Dundgovi and Uvs aimags were made.

Output 3. Enterprises' marketing and technical capacity improved:

(i) During the reporting period TA team has conducted "Learning to improve business development" online training jointly organized for sea-buckthorn, bee and apparel sector representatives, "Improvement of the fiber sector companies' social responsibility and code of ethics" training, and "Product development, organization of workshop production" training in apparel sector. Altogether 118 staff from 98 project participating enterprises (PPE) attended these trainings.

(ii) Completed training with a certified 4-module package: (i) Prepare an expert in the testing laboratory for wool and cashmere finished products; (ii) Training of experts in the internal control testing laboratory of the spinning mill; (iii) Training of experts for internal control testing laboratories in the primary processing industry; and (iv) Training of experts for chemical testing laboratories in the textile industry;

(iii) On-the-job training and technical advice tailored to the specifics of each PPE's were provided in order to improve the textile and knitting processing technology of the wool and cashmere industry, on how to ensure the stability of the finished product volume, as well as the requirements of the MNF finished product standards and on how to meet and implement them in the factory. Also developed 4 technical manuals and distributed them to manufacturers, including: "Cashmere and wool dyeing manual", "Cashmere and wool knitwear finishing manual", "Cashmere and wool quality assurance and control manual", "Woollenspun fabric finishing manual".

(iv) Completed the survey on compiling a national database on the garment and clothing industry of Mongolia, situation analysis conduction, and developed a proposal for further development and reengineering of the sector;

(v) "Study of functional properties of the Mongolian pastoral livestock" and "Study on the nutritional and health properties of sea-buckthorn products" have been completed and final reports submitted to MOFALI;

(vi) Following on-going research, trials and other activities have been completed, and their financing was made:
  - Analysis, evaluation and formulation of initial data of raw materials for MNF products;
  - Development of the Video presentation and video content on advertisement of bee products;
  - Testing of bird-rouse equipment, calculation of efficiency;
  - Printing of the technological guidelines and manuals of the fiber sector;
  - Printing of guidelines on "Technological stages of the shoe production, requirements to the equipment and technology";
  - Preparatory works for Introducing of WRAP (World Responsible Accredited Production) standards to the 4 companies in the apparel sector;
  - Printing of the "Glossary of the berry sector, and guidelines of development of the sea-buckthorn products";
  - Reference manual for "Technical regulation of meat and meat products production and trade" was prepared and published in both Mongolian and English languages;
  - "Development of the meat sector's training DVD"; and
  - Prepared 12-hour online training video lessons on "Key requirements of meat and meat export market and international trade standards, legal regulations and good practices". The content of 28 online video lessons with a total capacity of 12 hours was translated into Mongolian, reproduced in HD format on DVD and delivered to relevant organizations.

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Output 4. Mongolian product brand(s) developed.

(i) Within the scope of the contract for the provision of consulting services "Analyze and evaluate the quality of test raw materials for the development of the MNF product model and compile primary data", performed the work such as assess and evaluate the results of tests to determine washing yield, diameter, length, composition and impurity content for cashmere.

(ii) As part of the public awareness campaign of the MNF and its products a campaign to introduce the MNF to the public was carried out. TA team and consultants paid attention on the selection of the right media channel and appropriate frequency of broadcasting program.

(iii) A total of 30 people participated in START-UP and "Entrepreneurship" mid-level training for small and medium business owners organized in cooperation with the Market Institute, representing the beekeeping industry (Mihachi LLC, Permacultural Development, and Buteel Foundation LLC), MOFALI, Center for Agricultural Science Achievements, University of Agriculture, Mongolian Beekeepers Association, and the Supreme Council of Mongolian Beekeepers' Association.

(iv) During the reporting period following on-going research, trials and other activities have been completed, and their financing was made:
- Translation of some procedures of exporting bee products to EU countries;
- Study of the Mongolian wild sea-buckhthorn characteristics using traditional and modern molecule-genetics tools;
- Consulting services on "Quality assurance and certification of MNF and MNF products";
- Printing of manuals: "Treatment of animals and their transportation";
- Printing of manuals: "Procedures for eradicating disease by herd slaughter";
- Development of apparel industry's database;
- Consulting service on laboratory accreditation in internal monitoring of production of Goyo LLC, Uguuj shim LLC and Sor Cashmere LLC; and
- Capacity building activities related with preparation of the laboratory's internal monitoring experts.

Project management activities.

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

№	Title	Type	Selection Method	Contract Date		Funding Source
				Start	Completion	
1	Project Coordinator	PMU/National consultant	ICS	2016.01.07	2021.06.30	ADB
2	VCI Coordinator	National consultant	ICS	2016.03.01	2021.06.30	ADB
3	Business Advisor	National consultant	ICS	2016.08.22	2021.06.30	ADB
4	Financial Analyst	National consultant	ICS	2016.03.01	2021.06.30	ADB
5	Accountant	PMU	ICS	2019.03.01	2021.06.30	ADB
6	Admin assistant	PMU	ICS	2019.02.01	2021.01.31	ADB
7	Monitoring and evaluation specialist	PMU	ICS	2019.02.01	2021.06.30	ADB
8	Driver	PMU	ICS	2019.03.01	2021.06.30	ADB
9	Driver	PMU	ICS	2019.03.01	2021.01.31	ADB

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PMU has implemented the following result-oriented activities:

(i) PMU has submitted to the Project Steering Committee (PSC) operational and financing plan, and procurement plan for 2021 for discussion and approval. During the reporting period PSC has conducted 2 meeting and issued 8 resolutions.
(ii) Participated and made presentations to the Country Portfolio Review for 2020 and Portfolio review meetings for Q1 and Q2 2021.
(iii) Submitted to the PSC a draft measure to support PPEs, who faced difficulties due to Covid-19 pandemic for discussion. As a result the PSC has approved a special resolution to support PPE during the Covid-19 pandemic.
(iv) Conducted a procurement activity to support herder families of some aimags affected by the severe winter.
(v) Environment, and Social and Gender monitoring reports for 2020 was submitted to ADB and disclosed on ADB website.
(vi) PMU fed the information to the Transparent Accounts (according to the Law on Glass accounts) at the MOF and submitted consolidated Statements to MOF and MOFALI in timely manner.
(vii) Uploaded in a timely manner the project information, financing and related documents to the integrated MOF's ODAMIS system.
(viii) Archiving of the project documents for 2020 and 2021 was made and documents are ready for submission to the MOFALI.
(ix) Provided full support to the Mongolian National Audit Office and Dalaivan Audit LLC auditing activities on the Project performance for 2020, and to Dalaivan Audit LLC conducting the Final auditing of the Project.
(x) The PMU provided needed assistance and support to the media firm which was contracted to produce a brochure and 20-minute video presentation of the Project achievements in English and Mongolian. The assistance and support included coordinating and helping with communications, providing well prepared information and data, helping with editing and making sure the quality and accuracy of the information included.
(xi) Provided full support to the ADB Virtual Review Mission who conducted a Project completion review and Virtual Reconnaissance Mission in 2021.
(xii) Submitted a completed draft of Project Completion report in English to ADB. PMU has also developed and submitted a completion report to the Government, developed according to the Government procedure.
(xiii) As requested by ADB in response to the Government of Mongolia, the PMU has fully involved in the drafting of a concept paper for a new project for financing. The concept paper included 12 sector analysis, problem tree, proposed solutions and investment and financial needs, scope and milestones, design and monitoring framework, and expected outcomes and outputs.

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).

Loans taken out in accordance with the Loan Agreements No. 3287-MON and 3288-MON (SF) signed between the Asian Development Bank (ADB) and the Government of Mongolia dated on October 28, 2015 were closed on June 30, 2021 and the project operation terminated on September 10, 2021. Therefore, the closing financial statements of the project have not been prepared in accordance with the going concern principle.

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 September 10, 2021 have been compared to the balances of such accounts in the financial statements as of December 31, 2020.

d) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and cash balances with commercial banks and Bank of Mongolia (BOM).

e) Receivable

Receivable measured at the fair value plus transaction costs.

f) Prepaid expenses/advance

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.

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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 "17.1 of the Budget Law states that "a project unit to be implemented through loans and grants provided to Mongolia from international organizations and donor countries through the Government shall be a budgetary entity", so the project implementation unit has the status of a budgetary entity. Also according to Article 14.1 of the State and Local Property Law, the budgetary entity is a state organization and office with non-factory state owned enterprise status. Therefore, the project implementation unit does not apply to the taxpayers specified in Article 5.1 of the "Corporate Income Tax Law".

- 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 ministrial 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

Under article 15 of the Social Insurance Law of Mongolia, the employer and the employee are obliged to pay 13.5% and 12.5% of social insurance contribution respectively. The employer's social insurance contributions are funded by the The Government of Mongolia.

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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 September 10, 2021 are shown below:

Cash and equivalent	Dec 31, 2020 (USD)	Sep 10, 2021 (USD)
ADB loan	**499,823.89**	**1,962.65**
ADB (ADF) imprest account at BOM (USD)	5,312.62	-
ADB (OCR) imprest account at BOM (USD)	145,506.41	-
Imprest account at State Bank (USD)	290,023.27	1,960.62
Sub-account at Treasury ADF (MNT)	42,207.46	-
Sub-account at State Bank (MNT)	72.21	2.03
Sub-account at Treasury (MNT)	16,572.26	-
Petty cash (MNT)	129.66	-
Government contribution	**3,281,030.15**	-
Sub-account at Treasury OCR (MNT)	320,732.47	-
Revolving fund account at Chinggis Khan bank (MNT)	2,269,682.85	-
Revolving fund account at National Investment bank (MNT)	690,613.03	-
Petty cash (MNT)	1.80	-
Total	**3,780,854.04**	**1,962.65**

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 or Head of the Information Technology and Statistics Division of the Ministry of Food and Light Industry.

The transactions from the sub-accounts №100900011809, 100900011606 at the Treasury and №104900067747 at the State bank were approved by the signatures of Project Coordinator and accountant.

Due to the closure of the project implementation unit the following accounts, where the value chain investment repayments are located, will be transferred to the newly established Project implementation unit under the Ministry of Food, Agriculture and Light Industry.

At the end of the reporting period, the accounts had the following balances.

Accounts	Rate	Balance In USD
Treasury -100900011939	2,848.78	7,730,201.41
Chinggis Khan bank - 5101000198	2,848.78	2,346,213.14
National Investment bank -2999005481	2,848.78	692,451.12
Total		**10,768,865.67**

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4.2. VCI sub-loans

		Balance as at Dec 31, 2020 USD	Additions USD	Repaid USD	Exchange rate difference USD	Related to MOFALI USD	Balance as at Sep 10, 2021 USD
	Additional financing: 39229-033 MON						
1	Noos Ireedui LLC	855,410.23		(197,401.44)	181.56	(658,190.35)	-
2	Mongolian Cattle LLC	71,284.19		(16,450.12)	15.13	(54,849.20)	-
3	Denimon LLC	164,501.97		(32,900.24)	36.34	(131,638.07)	-
4	Gobi JSC	1,568,690.76		(526,345.86)	228.61	(1,042,573.51)	-
5	Khan Brand LLC	182,482.60		(182,513.15)	30.55	-	-
6	Monmeat Trade LLC	290,839.48		(67,117.59)	62.83	(223,784.72)	-
7	Sor cashmere LLC	1,556,076.75		(1,556,214.55)	137.80	-	-
8	Davshilt Trade LLC	100,017.20		(29,483.20)	24.00	(70,558.00)	-
9	Russkie Kolbasy LLC	85,541.02		(19,740.47)	18.48	(65,819.03)	-
10	Khanbogd Cashmere LLC	1,345,816.75		(89,293.06)	346.55	(1,256,870.24)	-
11	Mogol Noos LLC	828,212.57		(147,391.44)	186.48	(681,007.61)	-
12	Zurgaan Khoshuu LLC	528,554.03		(103,134.84)	119.30	(425,538.49)	-
13	Bayalag Ulzii LLC	399,190.04		(76,039.31)	90.59	(323,241.32)	-
14	Darkhan Nekhii JSC	1,236,900.87		(176,695.79)	289.68	(1,060,494.76)	-
15	Tumen Shuvuut LLC	754,515.69		(140,375.94)	171.24	(614,310.99)	-
16	Ikh Ulam Undrakh LLC	117,893.08		(21,933.67)	26.68	(95,986.09)	-
17	Yanmal LLC	893,294.92		(148,884.76)	208.34	(744,618.50)	-
18	Choirkhairkhan LLC	296,103.54		(87,734.96)	58.36	(208,426.94)	-
19	GBT Trading LLC	1,425,976.16		(215,243.11)	337.19	(1,211,070.24)	-
20	Ikh Aurag Ord LLC	-		-	-	-	-
21	Jinst Murun LLC	82,689.66		(22,811.09)	16.75	(59,895.32)	-
22	Jinst Murun LLC -2		175,465.78	-	51.65	(175,517.43)	-
23	Khurkh Gol LLC	516,658.03		(77,986.63)	122.16	(438,793.56)	-
24	Nuudel Tejeel LLC	461,482.85		(28,846.26)	123.56	(432,760.15)	-
25	Ajigana LLC	2,000,343.92		(105,294.32)	538.59	(1,895,588.19)	-
26	Mihachi LLC	210,562.52		(19,497.65)	54.10	(191,118.97)	-
27	Mongol textile LLC	555,651.09		(77,986.63)	132.98	(477,797.44)	-
28	Uguuj Mandal Uul LLC	348,012.89		(81,886.56)	74.84	(266,201.17)	-

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4.2. VCI sub-loans (continued)

		Balance as at Dec 31, 2020	Additions	Repaid	Exchange rate difference	Related to MOFALI	Balance as at Sep 10, 2021
		USD	USD	USD	USD	USD	USD
	Additional financing: 39229-033 MON						
29	Best shoes LLC	449,200.04		(28,075.19)	116.97	(421,241.82)	-
30	Zavkhan Bayalag JSC	358,679.21		(46,282.23)	87.22	(312,484.20)	-
31	Munkhbumuud LLC	259,146.31		(56,038.07)	56.69	(203,164.93)	-
32	Erdmeat LLC	772,062.57		(130,553.80)	182.94	(641,691.71)	-
33	Natural Textile Group LLC	2,526,750.21		(126,353.18)	681.35	(2,401,078.38)	-
34	Jivertyn Orgil LLC	1,193,187.60		(59,670.29)	321.75	(1,133,839.06)	-
35	Efes Khuns LLC	526,406.29		(526,417.38)	11.09	-	-
36	Jigd Khuch LLC	218,602.50		(25,351.89)	53.75	(193,304.36)	-
37	Jur Ur LLC	561,500.05		-	155.71	(561,655.76)	-
38	Trust Trade LLC	2,298,640.82		-	637.45	(2,299,278.27)	-
39	Global Nomadic Products LLC	701,875.06		-	194.64	(702,069.70)	-
40	Leader Cashmere LLC	1,228,281.35		-	340.63	(1,228,621.98)	-
41	Ulemj Cashmere LLC	1,228,281.35		(1,228,587.49)	306.14	-	-
42	Durvun Ulzii LLC	1,070,359.47		-	296.82	(1,070,656.29)	-
43	Erdenet Makh Market LLC	1,891,658.57		-	524.59	(1,892,183.16)	-
44	Batseju LLC	431,126.76		-	119.55	(431,246.31)	-
45	Darkhan Tsaskhan Suu LLC	245,656.27		-	68.13	(245,724.40)	-
	Total	**32,838,117.24**	**175,465.78**	**(6,476,532.16)**	**7,839.76**	**(26,544,890.62)**	**-**

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4.3. VCI sub-loan interest receivables

	Dec 31, 2020 USD	Sep 10, 2021 USD
Noos Ireedui LLC	9,726.80	-
Mongolian Cattle LLC	814.62	-
Khan Brand LLC	2,499.60	-
Monmeat Trade LLC	3,513.98	-
Davshilt Trade LLC	1,142.97	-
Russkie kolbasy LLC	1,245.80	-
Khanbogd Cashmere LLC	750.4	-
Zurgaan Khoshuu LLC	275.21	-
Darkhan Nekhii JSC	577.14	-
Tumen Shuvuut LLC	410.81	-
Yanmal LLC	348.75	-
Choirkhairkhan LLC	109.52	-
GBT Trading LLC	527.42	-
Jinst Murun LLC	30.58	-
Khurkh Gol LLC	191.09	-
Nuudel Tejeel LLC	170.69	-
Ajigana LLC	7,402.86	-
Mihachi LLC	77.88	-
Mongol textile LLC	205.51	-
Uguuj Mandal Uul LLC	137.55	-
Best shoes LLC	170.47	-
Zavkhan Bayalag JSC	88.44	-
Munkhbumuud LLC	95.85	-
Erdmeat LLC	285.56	-
Natural Textile Group LLC	934.55	-
Jivertyn Orgil LLC	441.32	-
Efes Khuns LLC	249.86	-
Jigd Khuch LLC	80.85	-
Jur Ur LLC	207.68	-
Trust trade LLC	850.18	-
Ikh Ulam Undrakh LLC	67.94	-
Sor Cashmere LLC	17,457.90	-
Denimon LLC	1,908.22	-
Gobi JSC	19,867.01	-
Bayalag Ulzii LLC	9.56	-
Leader Cashmere LLC	454.3	-
Ulemj Cashmere LLC	454.3	-
Global Nomadic Products LLC	259.6	-
Durvun Ulzii LLC	395.89	-
Batseju LLC	2,960.19	-
Darkhan Tsaskhan Suu LLC	90.86	-
Total	**77,489.70**	**-**

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4.4 Prepaid expenses

		Dec 31, 2020	Additions	Deductions	Sep 10, 2021
Installment payment for Financial Software	*	2,176.96	-	(2,176.96)	-
Advance payment for Vehicles insurance contract	*	480.35	-	(480.35)	-
Installment payment for "Quality assurance and monitoring of MNF products" consulting service	**	3,237.46	-	(3,237.46)	-
Installment payment for "Analysis, evaluation and formulation of initial data of raw materials for MNF products" consulting service contract.	***	1,366.26	-	(1,366.26)	-
Total		**7,261.03**	**-**	**(7,261.03)**	**-**

The amount of prepaid expenses accrued to the account during the reporting period is recorded in accordance with the statement of expenses for the period.

* PIU expenses
** Marketing and brand development
*** Training expenses

4.5 Inventories

(USD)

	Dec 31, 2020	Purchase	Used	Sep 10, 2021
Stationeries	389.37	941.02	1330.39	-
Fuel *	1,298.67	736.87	2,035.54	-
Other supply materials	263.65	326.73	590.38	-
Total	**1,951.69**	**2,004.62**	**3,956.31**	**-**

During the reporting period, a total of USD 3,956.31 of inventories was disbursed and recorded in the statement of comprehensive income, of which USD 3,954.51 was paid from ADB funds for project management and USD 1.80 from the Government sources.

* The card account balance of USD 328.53 of number 949612XXXXXX6847, 949612XXXXXX1225 is presented in inventory expenditures for the reporting.

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4.6 Fixed assets, and Intangible assets

The table below shows changes and movements in property, plant and equipment and intangible assets.

	Vehicles	Computer and its accessories	Other assets	Software
Initial cost				
Balance at December 31, 2020	72,145.52	36,965.58	1,361.98	6,559.04
Additions:				
Purchased	-	-	-	-
Deductions:				
Disposed of		(18,223.45)	(485.37)	(6,559.04)
Related to MOFALI	(72,145.52)	(18,742.13)	(876.61)	
Balance at September 10, 2021	-	-	-	-
Accumulated depreciation				
Balance at December 31, 2020	(72,145.52)	(32,548.12)	(1,361.98)	(6,559.04)
Additions:				
Charge for the year		(902.21)		
Deductions:				
Depreciation of disposed of assets		18,223.45	485.37	6,559.04
Depreciation of assets related to MOFALI	72,145.52	15,226.88	876.61	
Balance at September 10, 2021	-	-	-	-
Carrying value				
Balance at December 31, 2020	**-**	**4,417.46**	**-**	**-**
Balance at September 10, 2021	**-**	**-**	**-**	**-**

During the reporting period, loss on disposed assets for USD 662.69 was recognized in connection with assets transferred to the Ministry of Food, Agriculture and Light Industry.

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4.7 ADB Loan

The Ministry of Finance has agreed to pay ADB the total financing received from ADB in accordance with the Loan Agreements 3287-MON and 3288-MON (SF) signed between the Government of Mongolia and the Government of Mongolia on October 28, 2015.

In addition, the Ministry of Finance and the Ministry of Food, Agriculture and Light Industry signed a sub-lending agreement on May 13, 2020, lending the used and unused balances of agreements 3287-MON and 3288-MON (SF) to the Ministry of Food and Agriculture. Under the agreement, the Ministry of Food, Agriculture and Light Industry is obliged to repay the loan balance of agreements 3287-MON and 3288-MON (SF) to the Ministry of Finance.

The project activities are terminated and a closing financial report is being prepared as of September 10, 2021. Based on the above agreements, the outstanding balance of ADB's accumulated financing will be deducted from the project account and transferred to the Ministry of Food and Agriculture.

	Accumulated amount as of 31 December 2020	Additions in 1 January–10 September 2021	Accumulated amount as of 10 September 2021
Financing	46,548,449.78	433,022.78	
Loans paid to the Ministry of Finance from loan repayments in 2020	(4,974,306.47)		
	41,574,143.31	**433,022.78**	**42,007,166.09**
Interest and commitment charges	2,296,375.77	(39,144.20)	2,257,231.57
Total	43,870,519.08	393,878.58	**44,264,397.66**
Loans related to MOFALI			(44,264,397.66)
Outstanding loan balance after closure as of 10 September 2021			-

The table below shows the accumulated amount of funds received within the project scope from ADB as of September 10, 2021:

WA Number	Date	Dec 31, 2019 (USD)	Dec 31, 2020 (USD)	Sep 10, 2021 (USD)
ADF Financing				
A0001	2016.03.14	228,295.07	228,295.07	228,295.07
A0002	2016.08.26	137,477.47	137,477.47	137,477.47
A0003	2016.12.21	102,220.49	102,220.49	102,220.49
A0004	2017.07.15	160,699.93	160,699.93	160,699.93
A0005	2017.12.22	186,689.22	186,689.22	186,689.22
A0006	2018.04.30	154,111.24	154,111.24	154,111.24
A0007	2018.07.18	111,205.55	111,205.55	111,205.55
A0008	2018.11.14	142,227.86	142,227.86	142,227.86
A0009	2018.12.21	81,894.53	81,894.53	81,894.53
A0010	2019.02.18	146,558.58	146,558.58	146,558.58
A0011	2019.05.03	166,446.78	166,446.78	166,446.78
A0012	2019.05.03	245,281.04	245,281.04	245,281.04
A0013	2019.10.07	335,107.80	335,107.80	335,107.80
A0014	2019.12.20	306,665.58	306,665.58	306,665.58
C0022	2019.09.26	2,603,370.79	2,603,370.79	2,603,370.79
A0015	2020.05.29		375,830.29	375,830.29
A0016	2020.09.23		263,535.66	263,535.66

A0017	2020.12.16		372,720.87	372,720.87
C0026	2020.04.07		4,597,299.15	4,597,299.15
C0027	2020.06.04		912,496.83	912,496.83
C0030	2020.09.30		570,000.00	570,000.00
Refund to ADB	2021.12.21			(590.18)
	Total	**5,108,251.93**	**12,200,134.73**	**12,199,544.55**
Direct Payments				
B0001	2019.02.11	40,974.10	40,974.10	40,974.10
B0002	2019.03.11	192,893.83	192,893.83	192,893.83
B0003	2019.03.26	63,896.37	63,896.37	63,896.37
B0004	2019.04.16	81,862.94	81,862.94	81,862.94
B0005	2019.04.16	158,385.83	158,385.83	158,385.83
B0006	2019.04.17	287,174.66	287,174.66	287,174.66
B0007	2019.05.17	234,474.77	234,474.77	234,474.77
B0008	2019.05.24	71,415.09	71,415.09	71,415.09
B0009	2019.06.17	45,755.07	45,755.07	45,755.07
B0010	2019.10.24	42,915.24	42,915.24	42,915.24
B0011	2020.02.04		62,767.70	62,767.70
B0012	2020.09.21		38,279.61	38,279.61
B0013	2020.10.23		35,052.30	35,052.30
B0014	2020.10.23		42,467.54	42,467.54
B0017	2021.03.30			54,048.41
B0018	2021.03.30			109,702.22
B0019	2021.03.30			241,880.02
B0020	2021.09.02			17,546.65
B0021	2021.09.02			10,435.66
	Total	**1,219,747.90**	**1,398,315.05**	**1,831,928.01**
OCR Financing				
C0001	2016.12.21	1,905,824.94	1,905,824.94	1,905,824.94
C0002	2016.12.21	288,343.55	288,343.55	288,343.55
C0004	2017.01.31	5,071,783.62	5,071,783.62	5,071,783.62
C0006	2017.03.03	3,407,120.41	3,407,120.41	3,407,120.41
C0009	2017.06.21	4,168,300.42	4,168,300.42	4,168,300.42
C0011	2017.12.28	1,802,673.29	1,802,673.29	1,802,673.29
C0012	2018.04.18	6,501,673.64	6,501,673.64	6,501,673.64
C0015	2018.10.19	2,389,276.92	2,389,276.92	2,389,276.92
C0016	2018.11.01	1,016,382.82	1,016,382.82	1,016,382.82
C0019	2019.05.23	5,585,361.52	5,585,361.52	5,585,361.52
C0021	2019.09.30	82,818.20	82,818.20	82,818.20
C0025	2020.04.07		264,447.30	264,447.30
C0031	2020.10.23		465,993.37	465,993.37
	Total	**32,219,559.33**	**32,950,000.00**	**32,950,000.00**
Grand total		**38,547,559.16**	**46,548,449.78**	**46,981,472.56**

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ADB source	Total loan proceeds (LFIS as of Sep 23, 2021) (USD)	Total amounts received as of Sep 10, 2021 (USD)	Performance (percentage)
ADF financing*	14,594,689.09	14,031,472.56	96.14%
OCR financing*	32,950,000.00	32,950,000.00	100.00%

* Excluding interest and commitment charges

4.8 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 USD (39,144.20) was accumulated in 2021.

№	Expenditure items	Dec 31, 2020 (USD)	For the period amount (USD)	Sep 10, 2021 (USD)
1	Interest for ADF Loan	246,375.77	(39,144.20)	207,231.57
2	Interest for OCR Loan	1,937,614.62	-	1,937,614.62
3	Commitment charge	112,385.38		112,385.38
	Total	**2,296,375.77**	**(39,144.20)**	**2,257,231.57**

4.9 Accounts payable

	Dec 31, 2020 (USD)	Sep 10, 2021 (USD)
Payment on acceptance for the development of the Video presentation in the milk sector.	998.42	-
Total	**998.42**	**-**

4.10 Un-earned revenue

The USD 2,840.10 presented in brought forward balance of unearned revenue is related to interest income for 2021 and is recorded in the statement of comprehensive income as interest income for the period.

4.11 Net assets/equity

	Dec 31, 2020 (USD)	Sep 10, 2021 (USD)
GOM funding (initial phase)	-	-
GOM funding (additional funding)	498,608.95	-
Revolving Fund account	7,382,781.56	-
Accumulated surplus/(deficit)	(15,045,656.95)	-
Current period	(10,037,941.05)	189,878.90
Prior periods	(5,007,715.90)	(187,916.25)
Total	**(7,164,266.44)**	**1,962.65**

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The total amount of USD 4,703.90 presented in the Changes in accounting policies in the STATEMENT OF CHANGES IN NET ASSETS/EQUITY includes the following amounts.

- ✓ The difference of USD 2,852.55 in depreciation expense arising from the conversion of property, plant and equipment to the closing rate for the period, rather than the historical exchange rate
- ✓ In 2020, MNT 14.8 billion was paid to the Ministry of Finance for loan repayment and the exchange rate difference of USD 1,851.35 arose from the official exchange rate that the loan paid and the rate the Ministry of Finance recorded

4.12 Revenue and expenses

	Dec 31, 2020 (USD)	**Sep 10, 2021 (USD)**
Revenue:		
VCI sub-loan interest income	1,422,560.44	856,627.66
Deposit interest income	53,699.42	-
Bank interest income (for ADB accounts)	1,151.61	-
Bank interest income (for Revolving fund accounts)	103,292.32	77,533.09
Other income	1,437.69	-
Bidding income		
Total	**1,582,141.48**	**934,160.75**
Expenses:		
ADB Financing	**(2,985,435.81)**	**(716,657.18)**
Consulting services	(178,028.17)	-
Training	(262,942.87)	(141,608.16)
Work	(425,625.12)	(45,242.19)
Equipment	(33,647.92)	-
Materials	(8,194.34)	(432,382.37)
Marketing and Brand Development	(69,234.52)	(51,417.19)
Audit expense	(6,691.78)	(11,811.42)
PMU staff salaries	(57,474.85)	(66,462.96)
Communications and postage costs	(1,741.99)	(812.24)
LAN, Anti-virus software maintenance expenses	(1,132.21)	(2,717.27)
Advertising expenses	(1,174.34)	-
Office supplies	(2,857.55)	(1,328.59)
Site visit expenses	(13,654.28)	(477.20)
Fuel expenses	(4,696.83)	(2,035.54)
Car repair and garage expenses	(11,433.73)	(2,715.63)
Car insurance and car taxes	(690.05)	(1,497.86)
Other expenses	(3,875.97)	(3,031.27)
Bank charges	(184.34)	(84.24)
ADB Loan interest expense-OCR	(378,447.28)	-
ADB Loan interest expense-ADF	(177,171.23)	39,144.20
State bank's interest income transfer to the Treasury	(1,151.61)	-
Foreign currency gain/(loss)	(1,345,384.83)	7,822.75
GOM Financing	**(8,634,646.72)**	**(27,624.67)**
Consulting services		-
Advertising expenses	-	-
Social insurance contributions	(7,131.75)	(28,565.28)
Office rent expense	(37,273.80)	-
Bank charges	(11.43)	-

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Closing of some Government accounts	(8,410,430.69)	-
Bidding expense	(1,197.86)	-
Depreciation expense	(1,915.93)	(902.21)
Loss on disposal of assets	-	(662.69)
Foreign currency gain/(loss)	(176,685.26)	2,505.51
Total expenses	**(11,620,082.53)**	**(744,281.85)**

VCI sub-loan interest income

	Dec 31, 2020 (USD)	Sep 10, 2021 (USD)
Noos Ireedui LLC	43,594.70	16,882.85
Denimon LLC	7,636.13	3,301.94
Gobi JSC	83,981.31	27,048.48
Khan Brand LLC	9,300.03	3,083.59
Mongolian Cattle LLC	3,634.29	1,402.85
Russkie Kolbasy LLC	4,359.47	1,338.96
Davshilt Trade LLC	5,474.71	2,117.58
Monmeat Trade LLC	14,822.20	5,274.18
Sor Cashmere LLC	79,303.11	29,440.82
Khanbogd Cashmere LLC	69,964.10	39,354.86
Mogol Noos LLC	39,948.09	25,522.97
Zurgaan Khoshuu LLC	27,480.38	14,458.33
Bayalag Ulzii LLC	20,293.76	10,945.56
Darkhan Nekhii JSC	59,087.79	34,627.30
Tumen Shuvuut LLC	39,702.11	20,711.78
Ikh Ulam Undrakh LLC	5,911.34	3,232.46
Yanmal LLC	46,341.39	24,887.90
Choirkhairkhan LLC	16,843.34	7,754.08
Nuudel Tejeel LLC	21,062.08	13,772.24
Jinst Murun LLC	4,628.98	3,005.70
Jinst Murun LLC -2	-	3,158.12
GBT Trading LLC	71,565.16	40,066.94
Khurkh Gol LLC	26,503.43	14,517.03
Ikh Aurag Ord LLC	1,246.45	-
Ajigana LLC	95,322.06	22,365.99
Mongol Textile LLC	28,283.08	15,690.01
Uguuj Mandal Uul LLC	18,947.58	9,378.73
Mihachi LLC	9,610.07	6,188.03
Munkhbumuud LLC	13,897.51	7,059.02
Zavkhan Bayalag JSC	17,250.89	10,222.89
Best Shoes LLC	21,553.83	13,137.83
Erdmeat LLC	35,236.94	21,988.71
Jivertyn Orgil LLC	54,457.09	35,665.82
Natural Textile Group LLC	115,320.89	75,532.69
Efes Khuns LLC	24,025.19	9,150.05
Trust trade LLC	104,157.24	69,148.47
Jur Ur LLC	25,626.86	16,891.19
Jigd Khuch LLC	10,362.48	6,242.77
Leader Cashmere LLC	29,840.77	36,949.80
Ulemj Cashmere LLC	29,840.77	24,531.01
Global Nomadic Products LLC	17,051.87	21,114.18
Durvun Ulzii LLC	23,371.98	32,198.84
Batseju LLC	2,959.99	12,969.39

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Darkhan Tsaskhan Suu LLC	5,297.75	7,389.89
Erdenet Makh Market LLC	37,461.27	56,905.83
Total	**1,422,560.44**	**856,627.66**

4.13 Foreign currency gain/loss

In the reporting period, the following currency exchange rate gains were recorded from converting MNT to USD:

a) USD 2,497.19 from cash balances in MNT and currency exchange operations;
b) USD 7,831.16 from VCI loan and interest receivables issued in MNT; and
c) USD (0.09) from other payables.

4.14. Contingent liabilities

As at September 10, 2021 the PMU did not have any legal or constructive obligation as a result of past events.

4.15. Events after the reporting date

The auditor's report, including the financial statements as of September 10, 2021, was prepared on September 22, 2021. There were not events that occurred after the reporting date and which would have affected the financial statements for the year-end.

4.16. 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. PROJECT EXPENDITURES (cash basis)

ADB financed expenses:

	Expenditure items	Dec 31, 2020 (USD)	Sep 10, 2021 (USD)
a.	Training	260,840.71	139,431.26
b.	Consulting services	178,028.17	-
	Marketing and Brand Development	72,471.98	48,179.73
c.	VCI loans (ADB OCR financing)	587,939.58	148,009.98
d.	VCI loans (ADB ADF financing)	6,560,311.25	38,529.99
e.	Project management expenses	97,967.58	76,469.56
	Audit expense	6,691.78	11,811.42
f.	Equipment	33,647.92	-
	Equipment-direct payment	62,767.70	-
g.	Materials	8,194.34	26,751.72
	Materials-direct Payment	-	405,630.65
h.	Works	309,825.67	17,259.88
	Works-direct Payment	115,799.45	27,982.31
	Total	**8,294,486.13**	**940,056.50**

Training (ADF financing from SF source):

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

№	Title	Output	Jan 1, 2021-Sep 10, 2021 Amount (USD)
1	Capacity building training for herders and farmers		
	- Training;	2	-
	- Research and studies	2	30,279.47
2	Marketing and Technical Capacity building training of Participating Enterprises		
	- Training;	3	3,112.52
	- Research and studies	3	73,752.36
3	Development of Mongolian Product Brand(s)		
	- Training; Research and studies;	4	13,823.33
4	PMU trainings	4	18,463.58
	Total		**139,431.26**

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Marketing and brand development:

№	Types of training and research	Output	Jan 1, 2021-Sep 10, 2021 (USD)
	Made as part of Mongolian product brand development:		
1	- Training;	4	701.86
	- Marketing and brand development activities	4	47,477.87
	Total		**48,179.73**

Consulting services (ADF financing from SF source):

In 2021, a total of USD 0 was paid for the following project national consultants as remuneration from the ADB SF.

Contract No	Title	2020 Amount (USD)	Jan 1, 2021-Sep 10, 2021 Amount (USD)
NC/006-16	Project Coordinator	37,947.73	-
NC/001-16	VCI Coordinator	29,866.91	-
NC/007-16	Business advisor	28,722.22	-
NC/002-16	Financial analyst	28,722.22	-
NC/003-16	Gender/social consultant	26,387.10	-
NC/004-16	Environmental consultant	26,381.99	-
	Total	**178,028.17**	-

VCI loans OCR VCI Loans (ADB financing from SF and OCR sources):

The unpaid loan balance as of December 31, 2020 amounting to MNT 500,000,000.00 was issued in 2021.

The Project Steering Committee has decided to issue a new sub-loan of MNT 6,000,000,000.00 from the VCI repayment fund, but it has not been disbursed yet.

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Detailed information on VCI contracts awarded in 2020

№	Name of project participating entities (PPEs)	Sector	Contract No., date	Loan period	Total loan approved in 2020 (MNT '000)	PSC approved date	Loan amount transferred in 2020		Balance as of Sep 10, 2021 (MNT '000)	PPBs
							USD	MNT '000		
1	Trust Trade LLC	Meat	No.100/ББГ-19/02 2019.10.06	84 months		2019.10.06	292,662.94	800,000.00		UBCB
2	Leader Cashmere LLC	Wool, cashmere	No.78/395-15 2020.05.29	84 months	3,500,000.00	2020.02.12	1,242,452.10	3,500,000.00		Khan
3	Durvun Ulzii LLC	Canned vegetable	No. /ГБ/76-03-16 2020.05.29	72 months	3,050,000.00	2020.02.12	1,078,374.08	3,050,000.00		Golomt
4	Erdenet Makh Market LLC	Meat	No.78/395-16 2020.05.29	84 months	5,390,300.00	2020.02.12	1,904,178.52	5,390,300.00		Khan
5	Global Nomadic Products LLC	Dairy	No.78/395-14 2020.05.29	84 months	2,000,000.00	2020.02.12	709,972.63	2,000,000.00		Khan
6	Ulemj Cashmere LLC	Wool, cashmere	No.78/395-14 2020.05.29	84 months	3,500,000.00	2020.02.12	1,242,452.10	3,500,000.00		Khan
7	Darkhan Tsaskhan Suu LLC	Dairy	No. /ГБ/76-03-17 2020.06.18	84 months	700,000.00	2020.05.27	247,317.49	700,000.00		Golomt
8	Batseju LLC	Wool, cashmere	No.78/395-17 2020.05.29	84 months	1,228,500.00	2020.05.27	430,840.97	1,228,500.00		Khan
9	Jinst Murun LLC	Wool, cashmere	No./ГБ/76-03-17 2020.12.30	84 months	500,000.00	2020.12.28	-	-	500,000.00	Golomt
Total					**19,868,800.00**		**7,148,250.83**	**20,168,800.00**	**500,000.00**	

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Detailed information on VCI contracts awarded in 2021

№	Name of project participating entities (PPEs)	Sector	Contract No., date	Loan period	Total loan approved in 2021 (MNT '000)	PSC approved date	Loan amount transferred in 2020		Balance as of Sep 10, 2021 (MNT '000)	PPBs
							USD	MNT '000		
1	Jinst Murun LLC	Wool, cashmere	No./ГБ/76-03-17 2020.12.30	84 months		2020.12.28	175,465.78	500,000.00		Golomt
2	Tumen shuvuut JSC	Poultry farm	No contract	84 months	6,000,000.00	2021.02.26	-	-	6,000,000.00	Golomt
Total					**6,000,000.00**		**175,465.78**	**500,000.00**	**6,000,000.00**	

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Project management expenses (ADB financing from SF and OCR sources):

In the reporting period, a total of USD 88,280.98 was disbursed to finance the following project management expenses.

Expenditure items	2020 Amount (USD)	Jan 1, 2021- Sep 10, 2021Amount (USD)
PMU staff salaries	57,474.85	66,462.96
Communications and postage expenses	1,741.99	812.24
LAN, Anti-virus software and PC maintenance expenses	1,132.21	540.31
Advertising expenses	1,174.34	-
Office supplies	2,835.36	939.22
Site visit expenses	13,654.28	477.20
Fuel expenses	4,221.38	736.87
Car repair and garage expenses	10,819.90	2,715.63
Car insurance and car taxes	1,170.40	1,017.51
Other expenses	3,742.87	2,767.62
Subtotal	**97,967.58**	**76,469.56**
Audit fee for financial statements	6,691.78	11,811.42
Total	**104,659.36**	**88,280.98**

Materials and work:

Items	Jan 1, 2021- Sep 10, 2021 Amount (USD)
Construction of the livestock water point in selected aimags W0003 /Outcome - 2/	45,242.19
G0012: Food aid package for herder families affected by dzud disaster. Lot 6: Printing a form sheet	508.47
G0012: Food aid package for herder families affected by dzud disaster. Lot 5: Food storage, warehousing, packaging and loading	6,843.90
G0012: Food aid package for herder families affected by dzud disaster. Lot 7: Working group expenses	132.87
G0012: Food aid package for herder families affected by dzud disaster. Lot 4: Food aid delivery to aimag/province centers	19,266.48
G0012: Food aid package for herder families affected by dzud disaster. Lot 1: Wheat flour	54,048.41
G0012: Food aid package for herder families affected by dzud disaster. Lot 2: Vegetable oil	109,702.22
G0012: Food aid package for herder families affected by dzud disaster. Lot 3: Sugar, tea, rice, carton box and tape	241,880.02
Total	**477,624.56**

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Expenses financed by Government of Mongolia:

Items	2020 Amount (USD)	Jan 1, 2021- Sep 10, 2021 Amount (USD)
Office rent expense	37,273.80	20,720.83
Social security contributions	7,131.75	7,838.41
Site visit expenses	-	-
Consulting services	-	-
Advertising expenses	-	-
Office supplies	-	1.80
Bank charges	195.77	88.48
Total	**44,601.32**	**28,649.52**

Government financing-cash basis:

	Cumulative as of Dec 31, 2020 (USD)	For the period (USD)	Cumulative as of Sep 10, 2021 (USD)
Government Funds	498,608.95	28,561.38	527,170.33
Revolving Fund	7,382,781.56	-	7,382,781.56
Bank Interest earned	280,624.45	77,533.09	358,157.54
Deposit Interest earned	2,160,416.62	-	2,160,416.62
Other income	4,265.91	(1,809.15)	2,456.76
VCI sub-loan interest income	3,900,559.91	931,268.66	4,831,828.57
VCI sub-loan repayment income	4,549,414.79	6,476,532.16	11,025,946.95
Total	**18,776,672.19**	**7,512,086.14**	**26,288,758.33**

*During the reporting period, a total financing of USD 30,843.46 received from the Government and unspend balance of USD 2,282.08 was transferred back and Government financing for the reporting period is presented in net amounts.

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The Statement of outstanding loan balances of VCI Loan contracts - Additional financing 2021

Project Participating Bank	PPEs	Loans approved in 2021	Total loans issued by bank	Balance of financing unused	Loan balance as of 31 Dec 2020	Loan repayment in 2021*	Loan balance as of 10 Sep 2021
		MNT'000	MNT'000	MNT'000	MNT'000	MNT'000	MNT'000
Khan bank	Khan Brand LLC				519,986.00	519,986.00	-
	Russkie Kolbasy LLC				243,750.00	56,250.00	187,500.00
	Khanbogd Cashmere LLC				3,834,918.30	254,446.92	3,580,471.38
	Monmeat Trade LLC				828,750.00	191,250.00	637,500.00
	Zurgaan Khoshuu LLC				1,506,120.00	293,880.00	1,212,240.00
	Bayalag Ulzii LLC				1,137,496.00	216,672.00	920,824.00
	Uguuj Mandal Uul LLC				991,666.20	233,333.60	758,332.60
	Yanmal LLC				2,545,452.79	424,243.20	2,121,209.59
	Zavkhan Bayalag JSC				1,022,060.00	131,880.00	890,180.00
	Erdmeat LLC				2,200,000.00	372,000.00	1,828,000.00
	Leader Cashmere LLC				3,500,000.00	-	3,500,000.00
	Erdenet Makh Market LLC				5,390,300.00	-	5,390,300.00
	Global Nomadic Products LLC				2,000,000.00	-	2,000,000.00
	Ulemj Cashmere LLC				3,500,000.00	3,500,000.00	-
	Batseju LLC				1,228,500.00	-	1,228,500.00
Xac bank	Tumen Shuvuut LLC				2,150,000.00	400,000.00	1,750,000.00
Golomt Bank	Noos Ireedui LLC				2,437,500.00	562,500.00	1,875,000.00
	Mongolian Cattle LLC				203,125.00	46,875.00	156,250.00
	Darkhan Nekhii JSC				3,524,561.40	503,508.78	3,021,052.63
	Choirkhairkhan LLC				843,749.98	250,000.00	593,749.98
	GBT Trading LLC				4,063,333.34	613,333.34	3,450,000.00
	Ikh Aurag Ord LLC				-	-	-
	Jinst Murun LLC				235,625.00	65,000.00	170,625.02
	Khurkh Gol LLC				1,472,222.24	222,222.22	1,250,000.02
	Mihachi LLC				600,000.00	55,555.56	544,444.44
	Mongol Textile LLC				1,583,333.32	222,222.22	1,361,111.10
	Munkhoumuud LLC				738,440.00	159,680.00	578,760.00
	Natural Textile Group LLC				7,200,000.00	360,000.00	6,840,000.00
	Efes Khuns LLC				1,500,000.00	1,500,000.00	-

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	Jigd Khuch LLC				622,910.00	72,240.00	550,670.00
	Jur Ur LLC				1,600,000.00	-	1,600,000.00
	Durvun Ulzii LLC				3,050,000.00	-	3,050,000.00
	Darkhan Tsaskhan Suu LLC				700,000.00	-	700,000.00
	Jinst Murun LLC		500,000.00		-	-	500,000.00
	Tumen shuvuut JSC	6,000,000.00		6,000,000.00	-	-	-
Trade and Development bank UB City bank	Sor Cashmere LLC				4,434,056.25	4,434,056.25	-
	Davshilt Trade LLC				285,000.00	84,000.00	201,000.00
	Denimon LLC				468,750.00	93,749.99	375,000.01
	Mogol Noos LLC				2,360,000.00	420,000.00	1,940,000.00
	Gobi JSC				4,470,000.00	1,500,000.00	2,970,000.00
	Ajigana LLC				5,700,000.00	300,000.00	5,400,000.00
	Jivertyn Orgil LLC				3,400,000.00	170,010.00	3,229,990.00
	Nuudel Tejeel LLC				1,315,000.00	82,187.50	1,232,812.50
	Best Shoes LLC				1,280,000.00	80,000.00	1,200,000.00
	Trust Trade LLC				6,550,000.00	-	6,550,000.00
NI bank	Ikh Ulam Undrakh LLC				335,937.50	62,500.00	273,437.50
Total		**6,000,000.00**	**500,000.00**	**6,000,000.00**	**93,572,543.37**	**18,453,582.58**	**75,618,960.77**

* This amount includes repayments made between January 1, 2021 and the end of the reporting period, or September 10, 2021.

"BAKER TILLY DALAIVAN AUDIT" LLC
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УЛААНБААТАР ХОТ
БЭЙКЕР ТИЛЛИ

BAKER TILLY
DALAIVAN AUDIT LLC
ULAANBAATAR
MONGOLIA

SEPTEMBER 22, 2021

BAKER TILLY DALAIVAN AUDIT

MANAGEMENT LETTER

REVISED

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

Financial statement as of
September 10, 2021

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INTERNATIONAL

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MANAGEMENT LETTER

To: J.TUVSHINSANAA
PROJECT COORDINATOR

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

Under the auditing service contract signed between Baker Tilly Dalaivan Audit LLC and the Mongolian National Audit Office (MNAO) dated on June 07, 2021, we have audited the closing financial statements of **Additional financing of the Agriculture and Rural Development Project (Loan Number 3288 MON (SF) and 3287 MON)** for the year ended September 10, 2021.

We conducted our audit in accordance with International Standards on Auditing (ISAs). The audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. The audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall statement presentation.

In planning and performing our audit, we considered the project's accounting and internal control systems over financial reporting as well as the procurement process as a basis for implementing our procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the project's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

> *A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by the management. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the project's financial statement will not be prevented, or detected and corrected on a timely basis.*

We did not identify any deficiencies in internal control that we consider being significant deficiencies or material weaknesses, as defined above. This report is intended for the information of the ADB and the Project.

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BAKER TILLY
DALAIVAN AUDIT LLC
ULAANBAATAR
MONGOLIA

SEPTEMBER 22, 2021

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