

# Audited Project Financial Statements

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Project Number: 39229  
Loan/Grant Number: 3287 and 3288  
Period covered: 1 January 2016 to 31 December 2016

## Mongolia: Agriculture and Rural Development Project

Prepared by the Project Management Unit for the Ministry of Finance of Mongolia

For the Asian Development Bank  
Date received by ADB: 30 June 2017

The audited project financial statements are documents owned by the borrower. The views expressed herein do not necessarily represent those of ADB's Board of Directors, Management, or staff. These documents are made publicly available in accordance with ADB's Public Communications Policy 2011 and as agreed between ADB and the Ministry of Finance.

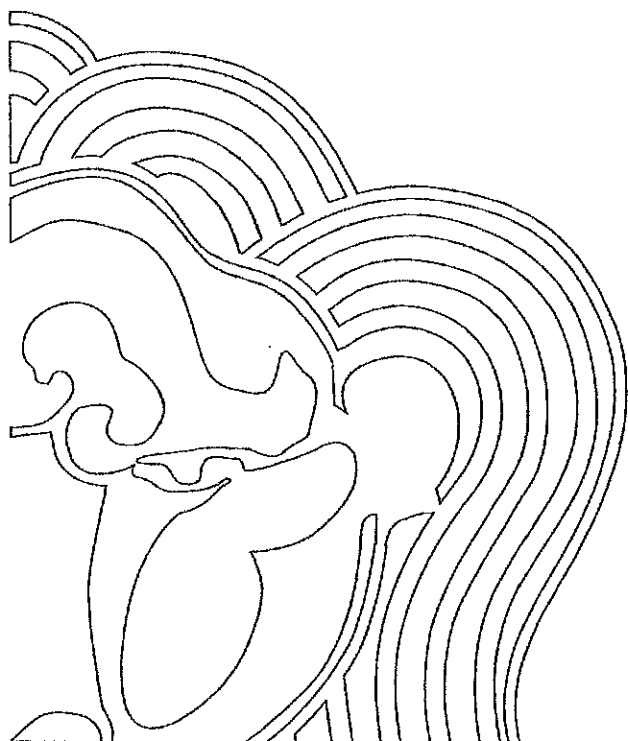


**DALAIWAN AUDIT**

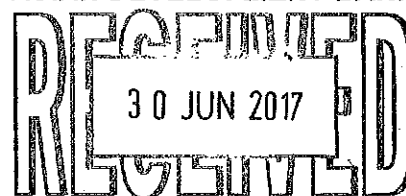
## **AUDITOR'S REPORT**

**"Additional Financing of Agriculture &  
Ruler Development Project"  
Loan Number 3288 MON(SF)  
and 3287 MON**

Financial statements as of  
December 31, 2016



ASIAN DEVELOPMENT BANK



MONGOLIA RESIDENT MISSION



an independent member of  
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## **DALAIVAN AUDIT**

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### **INDEPENDENT AUDITOR'S REPORT**

**To: Mr. J.Tuvshinsanaa**

**Project Director**

**Additional Financing of the Agriculture and Rural Development Project**

**Loan Number 3288 MON (SF) and 3287 MON**

We have audited the accompanying financial statements of Additional Financing of the Agriculture and Rural Development Project Loan Number 3288 MON (SF) and 3287 MON, which comprise the balance sheet as at December 31, 2016, and the statement of project sources and uses of funds, statement of expenditures (Loan withdrawals) and imprest account statement for the year then ended. Management of the project is responsible for the preparation of these financial statements and our responsibility is to express an opinion thereon based on our audit.

We conducted our audit in accordance with the International Standards on Auditing issued by the International Auditing and Assurance Standards Board of the International Federation of Accountants. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall statement presentation. We believe our audit provides a reasonable basis for our opinion.

Management of the project have prepared these financial statements in accordance with International Public Sector Accounting Standards on cash basis wherein revenues are recognized when cash is received and expenses are recognized when paid.

In our opinion, the financial statement and the report of project sources and uses of funds have been prepared in accordance with International Public Sector Accounting Standards (IPSAS) issued by the International Public Sector Accounting Standards Board (IPSASB); cash receipt and cash expenditure of Additional Financing of the Agriculture and Rural Development Project for the year ended December 31, 2016 present fairly, in all material respect; and spending incurred for the intended purpose as stated in the Loan Agreement Number 3288 MON (SF) and 3287 MON.

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

**BALANCE SHEET**  
**as at December 31, 2016**

		2016.12.31	2016.04.15
		USD	USD
<b>ASSETS</b>			
<b>Cash and cash equivalents:</b>	<b>3.a</b>	<b>6,194,574.67</b>	<b>6,080,282.68</b>
<b>ADB loan funds</b>		<b>216,160.58</b>	<b>-</b>
ADF VCI Imprest Account at BOM (USD)		-	-
OCR VCI Imprest Account at BOM (USD)		12,745.16	-
Imprest Account at State bank (USD)		192,176.48	-
Sub-account at State bank (USD)		7,423.18	-
Sub-account at State bank (MNT)		3,813.98	-
Petty cash (USD)		-	-
Petty cash (MNT)		1.78	-
<b>Government funds</b>		<b>5,978,414.09</b>	<b>6,080,282.68</b>
Revolving Fund Account at UBCB (USD)		116,024.49	3,075,295.01
MNT Revolving Fund Account №2600066556 at UBCB		398,393.87	2,564,835.23
Deposit Account at Capitron bank (USD)		461,250.00	-
Deposit Account at Capitron bank (MNT)		307,446.59	-
Deposit Account at UBC bank (USD)		2,152,500.00	-
Deposit Account at UBC bank (MNT)		1,434,750.74	-
Deposit Account at Chinggis Khan bank (USD)		461,250.00	-
Deposit Account at Chinggis Khan bank (MNT)		307,446.59	-
Imprest Account at State bank (USD)		41,940.56	48,292.52
Sub-account at State bank (USD)		56.79	24.17
Sub-account at State bank (MNT)		1,451.91	4,455.42
Petty cash (MNT)		2.06	2.56
Account at Capitron bank (MNT)		272,501.24	387,377.77
Sub-account at Capitron bank (MNT)		23,399.25	-
<b>Cumulative project expenditures:</b>	<b>3.b</b>	<b>3,136,513.96</b>	
<b>ADB loan funds</b>		<b>2,490,314.29</b>	
Civil works	<b>b.1</b>	-	-
Equipment	<b>b.2</b>	10,948.04	-
Training	<b>b.3</b>	21,327.38	-
Consulting services	<b>b.4</b>	137,277.27	-
VCI Loans	<b>b.5</b>	2,181,423.33	-
Project Management	<b>b.6</b>	98,024.17	-
Financial Charges	<b>b.7</b>	40,198.14	-
Foreign exchange difference (Loss)	<b>b.8</b>	1,115.96	-

		2016.12.31 USD	2016.04.15 USD
<b>Government funds</b>	<b>3.c</b>	<b>646,199.67</b>	-
Project management		24,493.42	-
Bank charges		22.46	-
Marketing & Brand Development		6,024.58	-
Local Taxes and Duties		4,851.00	-
Foreign exchange difference (Loss)		610,808.21	-
<b>TOTAL ASSETS</b>		<b>9,331,088.63</b>	<b>6,080,282.68</b>
<b>FUNDS</b>			
<b>ADB loan funds</b>	<b>3.d</b>	<b>2,706,474.87</b>	-
ADB ADF Fund (VCI)*		2,502.30	-
ADB OCR Fund (VCI)**		2,231,864.33	-
ADB ADF Fund (Other)		467,993.03	-
Bank Interest earned		4,115.21	-
<b>Government funds</b>	<b>3.e</b>	<b>6,624,613.76</b>	<b>6,080,282.68</b>
GOM Funds		445,003.44	440,152.44
Revolving Fund		6,162,168.54	5,640,130.24
Bank Interest earned		17,441.78	-
<b>TOTAL FUNDS</b>		<b>9,331,088.63</b>	<b>6,080,282.68</b>

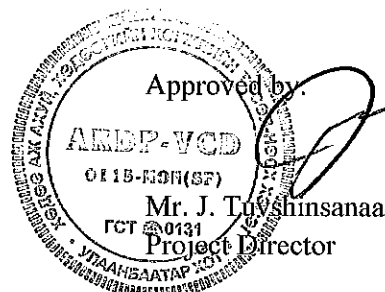
\*ADB ADF commitment charge 2,502.3 USD

\*\*Included ADB OCR commitment charge 37,695.84 USD

Prepared by:



Mrs. Z. Ariuntsetseg  
Project Accountant



The accompanying notes on page 1-15 are an integral part of these financial statements.

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CONTENTS  
& APPRAISAL



## **DALAIVAN AUDIT**

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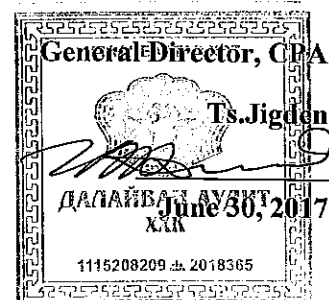
### **INDEPENDENT AUDITOR'S REPORT**

**To: Mr. J. Tuvshinsanaa**  
**Project Director**  
**Additional Financing of the Agriculture and Rural Development Project**  
**Loan Number 3288 MON (SF) and 3287 MON**

We have audited the statement of project sources and uses of funds for the year ended December 31, 2016 of Additional Financing of the Agriculture and Rural Development Project Loan Number 3288 MON (SF) and 3287 MON.

We conducted our audit in accordance with generally accepted auditing standards, on a test basis examined evidence documents that support the amounts and disclosures in the statement of sources and uses of fund. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the internal controls and procedures involved in preparation of the statement of sources and uses of funds can be relied upon, and the applications for loan withdrawals sufficiently support it.



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

**STATEMENT OF PROJECT SOURCES AND USES OF FUNDS**  
**as at December 31, 2016**

	Cumulative to Dec 31, 2016	For the reporting period	Cumulative to Apr 15, 2016
	USD	USD	USD
<b>SOURCES</b>	<b>9,331,088.63</b>	<b>3,250,805.95</b>	<b>6,080,282.68</b>
<b>ADB loan funds</b>	<b>2,706,474.87</b>	<b>2,706,474.87</b>	-
ADB ADF Fund (VCI)	2,502.30	2,502.30	-
ADB OCR Fund (VCI)	2,231,864.33	2,231,864.33	-
ADB ADF Fund (Other)	467,993.03	467,993.03	-
Bank Interest earned	4,115.21	4,115.21	-
<b>Government funds</b>	<b>6,624,613.76</b>	<b>544,331.08</b>	<b>6,080,282.68</b>
GOM Funds	445,003.44	4,851.00	440,152.44
Revolving Fund	6,162,168.54	522,038.30	5,640,130.24
Bank Interest earned	17,441.78	17,441.78	-
<b>TOTAL SOURCES OF FUNDS</b>	<b>9,331,088.63</b>	<b>3,250,805.95</b>	<b>6,080,282.68</b>
<b>USES OF FUNDS</b>			
<b>ADB loan funds</b>	<b>2,490,314.29</b>	<b>2,490,314.29</b>	-
Civil works	-	-	-
Consulting services	137,277.27	137,277.27	-
Equipment	10,948.04	10,948.04	-
VCI Loans	2,181,423.33	2,181,423.33	-
Training	21,327.38	21,327.38	-
Project Management, of which	98,024.17	98,024.17	-
Project management	94,898.02	94,898.02	-
Audit expense	3,096.15	3,096.15	-
Bank charges	30.00	30.00	-
Financial Charges	40,198.14	40,198.14	-
Exchange rate fluctuations	1,115.96	1,115.96	-
<b>Government funds</b>	<b>646,199.67</b>	<b>646,199.67</b>	-
Project Management, of which	24,515.88	24,515.88	-
Social security contributions	24,493.42	24,493.42	-
Bank charges	22.46	22.46	-
Marketing and Brand development expenses	6,024.58	6,024.58	-
Local Taxes and Duties	4,851.00	4,851.00	-
Foreign exchange difference (Loss)	610,808.21	610,808.21	-
<b>TOTAL USES OF FUNDS</b>	<b>3,136,513.96</b>	<b>3,136,513.96</b>	-
<b>Surplus of receipts over expenditure</b>	<b>6,194,574.67</b>	<b>6,194,574.67</b>	<b>6,080,282.68</b>

Prepared by:

Mrs. Z. Ariuntsetsag  
Project Accountant

Approved by:

MR. J. Tuvshinsanaa  
Project Director

The accompanying notes on page 1-15 are an integral part of these financial statements.

APPROVED BY THE BOARD OF DIRECTORS  
ON BEHALF OF THE BOARD OF DIRECTORS  
CHAIRMAN

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

**ADF WITHDRAWALS**  
**as at December 31, 2016**

Number of WA	Application Type	Claimed date	Credited date	Amount claimed (in USD)	Amount credited (in USD)	Difference
<b>WAs up to December 31, 2016</b>						
WA A0001	Initial advance for the Operational Imprest account	Feb 22, 2016	Mar 14, 2016	228,295.07	228,295.07	-
WA A0002	Replenishment of the Operational Imprest account	Aug 4, 2016	Aug 26, 2016	137,477.47	137,477.47	-
WA A0003	Replenishment of the Operational Imprest account	Dec 5, 2016	Dec 16, 2016	102,220.49	102,220.49	-
<b>WAs for the reporting period 2016</b>				<b>467,993.03</b>	<b>467,993.03</b>	<b>-</b>
<b>Transfer charge</b>						
	Transfer charge for WA A0001				10.00	
	Transfer charge for WA A0002				10.00	
	Transfer charge for WA A0003				10.00	
<b>Total transfer charge</b>				<b>-</b>	<b>30.00</b>	<b>-</b>
<b>WAs up to December 31, 2016 including transfer charges</b>				<b>467,993.03</b>	<b>467,963.03</b>	<b>-</b>

Prepared by:

Mrs. Z. Ariuntsetseg  
Project Accountant

Approved by:



"AMUNDAMENT" Co., LLC  
GENERAL MANAGER, ACCOUNTING  
S. A. N. B. N. L.



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

**OCR WITHDRAWALS**  
**as at December 31, 2016**

Number of WA	Application Type	Claimed date	Credited date	Amount claimed (in USD)	Amount credited (in USD)	Difference
<b>WAs up to December 31, 2016</b>						
C0001	VCI: Initial advance	Nov 2, 2016	Dec 21, 2016	1,905,824.94	1,905,824.94	-
C0002	VCI: Initial advance	Dec 5, 2016	Dec 21, 2016	288,343.55	288,343.55	-
<b>WAs for the reporting period 2016</b>				<b>2,194,168.49</b>	<b>2,194,168.49</b>	<b>-</b>
<b>WAs up to December 31, 2016</b>				<b>2,194,168.49</b>	<b>2,194,168.49</b>	<b>-</b>

Prepared by:



Mrs. Z. Ariuntsetseg  
Project Accountant



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### **INDEPENDENT AUDITOR'S REPORT**

**To: Mr. J.Tuvshinsanaa**

**Project Director**

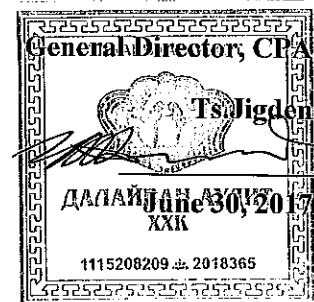
**Additional Financing of the Agriculture and Rural Development Project**

**Loan Number 3288 MON (SF) and 3287 MON**

We have audited the statement of expenditures (Loan withdrawals) for the year ended December 31, 2016 of Additional Financing of the Agriculture and Rural Development Project Loan Number 3288 MON (SF) and 3287 MON.

We conducted our audit in accordance with generally accepted auditing standards, on a test basis examined evidence documents that support the amounts and disclosures in the statement of expenditures. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the statement of expenditures (Loan and grant withdrawals) is 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.



The Government of Mongolia  
Asian Development Bank  
Loan 3288-MON (SF)

Agriculture and Rural Development Project-Additional Financing

**ADF STATEMENT OF EXPENDITURES (ADF SOEs)**  
as at December 31, 2016

Type of expense	WA A0002 (March-July)			WA A003 (Aug-Dec)			Total for FY2016		
	SOE record	Total expenditures	Difference	SOE record	Total expenditures	Difference	SOE record	Total expenditures	Difference
	USD	USD	USD	USD	USD	USD	USD	USD	USD
Remuneration	-	-	-	-	-	-	-	-	-
<b>Project consultants</b>	<b>59,368.18</b>	<b>59,368.18</b>	-	<b>62,009.09</b>	<b>77,909.09</b>	<b>(15,900.00)</b>	<b>121,377.27</b>	<b>137,277.27</b>	<b>(15,900.00)</b>
contract with project director	3,300.00	3,300.00	-	13,200.00	16,500.00	(3,300.00)	16,500.00	19,800.00	(3,300.00)
contract with VCI coordinator	13,000.00	13,000.00	-	10,400.00	13,000.00	(2,600.00)	23,400.00	26,000.00	(2,600.00)
contract with business advisor	5,568.18	5,568.18	-	8,409.09	10,909.09	(2,500.00)	13,977.27	16,477.27	(2,500.00)
contract with financial analyst	12,500.00	12,500.00	-	10,000.00	12,500.00	(2,500.00)	22,500.00	25,000.00	(2,500.00)
contract with social gender specialist	12,500.00	12,500.00	-	10,000.00	12,500.00	(2,500.00)	22,500.00	25,000.00	(2,500.00)
contract with environment specialist	12,500.00	12,500.00	-	10,000.00	12,500.00	(2,500.00)	22,500.00	25,000.00	(2,500.00)
<b>Training</b>	<b>9,820.26</b>	<b>9,820.26</b>	-	<b>7,098.77</b>	<b>11,507.12</b>	<b>(4,408.35)</b>	<b>16,919.03</b>	<b>21,327.38</b>	<b>(4,408.35)</b>
introduction seminar for private sector	307.18	307.18	-	3,059.75	3,059.75	-	3,366.93	3,366.93	-
VCI training for EA las and PPBs	5,460.16	5,460.16	-	2,000.43	2,000.43	-	7,460.59	7,460.59	-
Printing of brochures and leaflets	4,052.92	4,052.92	-	2,038.59	6,446.94	(4,408.35)	6,091.51	10,499.86	(4,408.35)
VCI training for potential PPEs	10,948.04	10,948.04	-	-	-	-	10,948.04	10,948.04	-
<b>Equipment</b>	<b>10,948.04</b>	<b>10,948.04</b>	-	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,948.04</b>	<b>10,948.04</b>	<b>-</b>
Computers and peripherals for PMU	10,948.04	10,948.04	-	-	-	-	10,948.04	10,948.04	-
<b>Project management</b>	<b>35,826.93</b>	<b>35,826.93</b>	-	<b>15,201.67</b>	<b>18,708.69</b>	<b>(3,507.02)</b>	<b>51,028.60</b>	<b>54,535.62</b>	<b>(3,507.02)</b>
Project director	13,175.61	13,175.61	-	-	-	-	13,175.61	13,175.61	-
Accountant	9,489.65	9,489.65	-	6,638.97	8,170.58	(1,531.61)	16,128.62	17,660.23	(1,531.61)
Admin assistant	5,629.87	5,629.87	-	3,293.34	4,053.11	(759.77)	8,923.21	9,682.98	(759.77)
Project driver	3,765.90	3,765.90	-	2,634.68	3,242.50	(607.82)	6,400.58	7,008.40	(607.82)
Project driver	3,765.90	3,765.90	-	2,634.68	3,242.50	(607.82)	6,400.58	7,008.40	(607.82)

APR 2017/2018/2019/2020/2021

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

**OCR STATEMENT OF EXPENDITURES (OCR SOEs)**  
**as at December 31, 2016**

№	Name of PPEs contract	SOE record	Total disbursement	Difference
		ам.доллар	ам.доллар	ам.доллар
1	Noos ireedui LLC VCI sub project	228,194.40	214,437.16	13,757.24
2	Denimon LLC VCI sub project	213,665.17	200,783.86	12,881.31
3	Gobi JSC VCI sub project	887,496.74	833,991.90	53,504.84
4	Khan Brand LLC VCI sub project	171,786.80	161,430.22	10,356.58
5	Mongolian Cattle LLC VCI sub project	27,776.47	26,101.90	1,674.57
6	Russkie Kolbasy LLC VCI sub project	192,298.65	180,942.35	11,356.30
7	Davshilt trade LLC VCI sub project	184,606.71	173,704.65	10,902.06
8	Monmeat trade LLC VCI sub project	241,308.79	249,298.35	(7,989.56)
9	Sor Cashmere LLC VCI sub project	47,034.76	140,732.94	(93,698.18)
	<b>Total</b>	<b>2,194,168.49</b>	<b>2,181,423.33</b>	<b>12,745.16</b>

\*Foreign exchange difference of 12,745.16 USD arisen as exchange rate at the application date of loan financing to ADB was different from exchange rate at the date of transferring loan amounts to PPEs contractors.

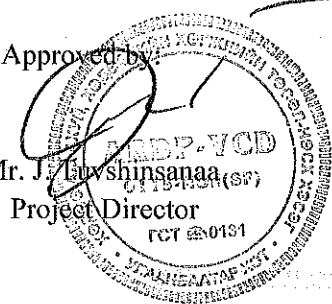
Prepared by:



Mrs. Z. Ariuntsetseg  
Project Accountant

Approved by:

Mr. J. Bayshinsanaa  
Project Director



CERTIFIED FOR DISBURSEMENT, AUDITING  
& APPRAISAL



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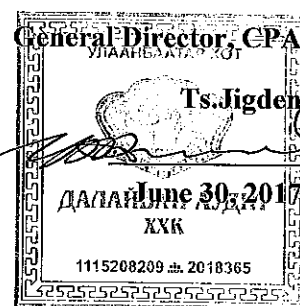
### **INDEPENDENT AUDITOR'S REPORT**

**To: Mr. J. Tuvshinsanaa**  
**Project Director**  
**Additional Financing of the Agriculture and Rural Development Project**  
**Loan Number 3288 MON (SF) and 3287 MON**

We have audited the Imprest Account Statement for the year ended December 31, 2016 of Additional Financing of the Agriculture and Rural Development Project, which was prepared within the loan agreement Loan Number 3288 MON (SF) and 3287 MON framework to support withdrawals.

We conducted our audit in accordance with generally accepted auditing standards, on a test basis examined evidence documents that support the amounts and disclosures in Imprest Account Statement. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the imprest account statement was prepared in accordance with the ADB Loan Disbursement Handbook, cash replenishment and liquidation of the imprest account present fairly.



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

**IMPREST ACCOUNT STATEMENT (BOM - 3430403015)**  
as at December 31, 2016

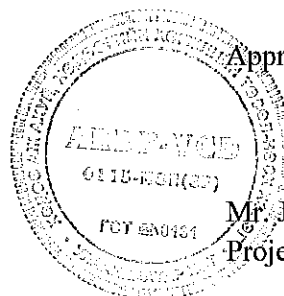
	2016.12.31 USD	2016.04.15 USD
<b>Part A - Account transactions</b>		
<b>Beginning balance</b>	-	-
<b>Add:</b>		
Total amount deposited current year	-	-
From sub account	-	-
Bank interest earned	-	-
<b>Deduct:</b>		
Total amount withdrawn	-	-
Transferred to sub-account (USD)	-	-
Return to ADB	-	-
Bank charges	-	-
<b>Ending balance</b>	-	-
<b>Part B - Account reconciliation</b>		
<b>Amount advanced by the ADB</b>	-	-
<b>Balance of Imprest Account at the end of the year</b>	-	-
<b>Add:</b>		
Liquidation of balance of imprest account	-	-
Amount withdrawn and not yet claimed	-	-
Amount claimed and not yet credited	-	-
Bank charge:		
Previous year	-	-
Current year	-	-
Foreign exchange loss	-	-
Balance of Sub-account	-	-
Return to ADB	-	-
<b>Deduct:</b>		
Interest earned:		
Previous year	-	-
Current year	-	-
<b>Total advance transferred to Special account.</b>	-	-

Prepared by:



Mrs. Z. Ariuntsetseg  
Project Accountant

Approved by:



Mr. J. Tuvshinsanaa  
Project Director

The accompanying notes on page 1-15 are an integral part of these financial statements.

"RECEIVED" stamp  
0115-FSH(SF)  
FOT 000101  
CAPITAL

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

**IMPREST ACCOUNT STATEMENT (BOM - 3430403014)**  
**as at December 31, 2016**

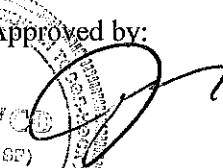
	2016.12.31 USD	2016.04.15 USD
<b>Part A - Account transactions</b>		
<b>Beginning balance</b>	-	-
<b>Add:</b>		
Total amount deposited current year	2,194,168.49	-
From sub account	-	-
Bank interest earned	-	-
<b>Deduct:</b>		
Total amount withdrawn	-	-
Transferred to sub-account (USD)	2,181,423.33	-
Return to ADB	-	-
Bank charges	-	-
<b>Ending balance</b>	<b>12,745.16</b>	-
<b>Part B - Account reconciliation</b>		
<b>Amount advanced by the ADB</b>		
<b>Balance of Imprest Account at the end of the year</b>	<b>12,745.16</b>	-
<b>Add:</b>		
Liquidation of balance of imprest account	-	-
Amount withdrawn and not yet claimed	-	-
Amount claimed and not yet credited	-	-
Bank charge:		
Previous year	-	-
Current year	-	-
Foreign exchange loss	-	-
Balance of Sub-account	-	-
Return to ADB	-	-
<b>Deduct:</b>		
Interest earned:		
Previous year	-	-
Current year	-	-
<b>Total advance transferred to Special account.</b>	<b>12,745.16</b>	-

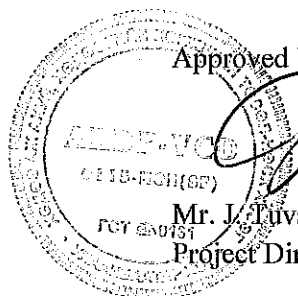
Prepared by:



Mrs. Z. Ariuntsetseg  
Project Accountant

Approved by:



  
 Mr. J. Tuvshinsanaa  
 Project Director

The accompanying notes on page 1-15 are an integral part of these financial statements.

"THE GOVERNMENT OF MONGOLIA"  
 GENERAL SECRETARIAT, AUDITING  
 & ACCOUNTS

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

**IMPREST ACCOUNT STATEMENT (State bank 106000037032)**  
as at December 31, 2016

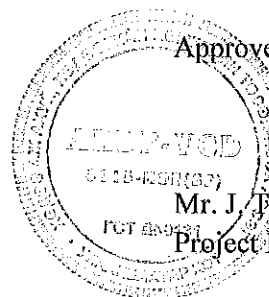
	2016.12.31 USD	2016.04.15 USD
<b>Part A - Account transactions</b>		
<b>Beginning balance</b>		
Add:		
Total amount deposited current year	467,993.03	-
Bank interest earned	3,735.99	-
Deduct:		
Total amount withdrawn	27,803.12	-
Transferred to sub-account (USD)	229,585.72	-
Transferred to sub-account (MNT)	22,133.70	-
Return to ADB	-	-
Bank charges	30.00	-
<b>Ending balance</b>	<b>192,176.48</b>	<b>-</b>
<b>Part B - Account reconciliation</b>		
<b>Amount advanced by the ADB</b>		
<b>Balance of Imprest Account at the end of the year</b>	<b>192,176.48</b>	<b>-</b>
Add:		
Liquidation of balance of imprest account	-	-
Amount claimed and not yet credited	27,848.90	-
Bank Charges	30.00	-
USD Account No. 499137442 at TDB	7,423.18	-
MNT Account No. 499137443 at TDB	3,813.98	-
USD Petty cash	-	-
MNT Petty cash	1.78	-
Transferred to ADB	-	-
Foreign exchange difference (Loss)	1,115.96	-
Deduct:		
Bank interest earned	4,115.21	-
<b>Total advance transferred to Special account.</b>	<b>228,295.07</b>	<b>-</b>

Prepared by:



Mrs. Z. Ariuntsetseg  
Project Accountant

Approved by:



Mr. J. Puvshinsanaa  
Project Director

The accompanying notes on page 1-15 are an integral part of these financial statements.

STATE OF MONGOLIA  
CENTRAL AUDITING  
& APPRAISAL



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

**USD SUB-ACCOUNT STATEMENT (State bank 106000037041)**  
**as at December 31, 2016**

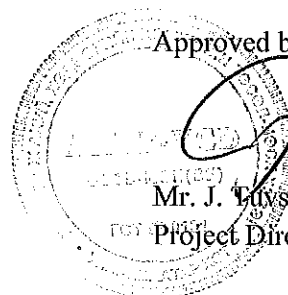
	2016.12.31	2016.04.15
	USD	USD
<b>Part A - Account transactions</b>		
<b>Beginning balance</b>	-	-
<b>Add:</b>		
Tranferred from Imprest account (State bank 106000037032)	229,585.72	-
Bank interest earned	314.73	-
<b>Deduct:</b>		
Total amount withdrawn	-	-
Transferred to MNT Sub-account at State bank (104900067747)	85,200.00	-
Consulting Services	137,277.27	-
Bank charges	-	-
<b>Ending balance</b>	<b>7,423.18</b>	-

Prepared by:



Mrs. Z. Ariuntsetseg  
Project Accountant

Approved by:



Mr. J. Guyshinsanaa  
Project Director

*The accompanying notes on page 1-15 are an integral part of these financial statements.*

CERTIFIED ACCOUNTING, AUDITING  
& APPRAISAL

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

**USD SUB-ACCOUNT STATEMENT (State bank 104900067747)**  
**as at December 31, 2016**

	2016.12.31 USD	2016.04.15 USD
<b>Part A - Account transactions</b>		
<b>Beginning balance</b>	-	-
<b>Add:</b>		
Replenishment from Imprest Account (State bank)	21,963.18	-
Replenishment from Operational Account (State bank-USD)	84,778.62	-
Bank interest earned	64.49	-
<b>Deduct:</b>		
Transferred to cash on hand (MNT)	14,758.24	-
Marketing and Brand development expenses	-	-
Training	14,517.48	-
Consulting Services	-	-
Project Management expenses	73,201.62	-
PMU staff remuneration	54,535.61	-
Communication expenses	1,252.21	-
Advertisement expenses	3,436.80	-
Office supplies	1,927.85	-
Field trips	745.13	-
Transportation expenses (fuel)	6,923.77	-
Transport repair, service & garage expenses	4,283.48	-
Car insurance	-	-
Audit expenses	-	-
Other expenses	96.77	-
Bank Charges	-	-
Foreign exchange difference (Loss)	514.97	-
<b>Ending balance</b>	<b>3,813.98</b>	<b>-</b>

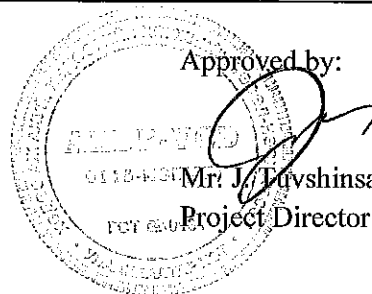
Prepared by:

Mrs. Z. Ariuntsetseg  
Project Accountant



Approved by:

Mr. J. Tuvshinsanaa  
Project Director



The accompanying notes on page 1-15 are an integral part of these financial statements.

REVIEWED AND APPROVED  
& APPROVAL

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

**CASH ON HAND (USD)**  
**as at December 31, 2016**

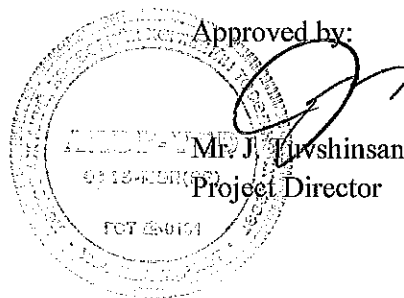
	2016.12.31	2016.04.15
	USD	USD
<b>Part A - Account transactions</b>		
<b>Beginning balance</b>	-	-
<b>Add:</b>		
Replenishment from Operational Account (State-USD)	-	-
Other income	-	-
<b>Deduct:</b>		
Transferred to cash on hand (MNT)	-	-
Marketing and Brand development expenses	-	-
Training	-	-
Project Management expenses	-	-
Communication expenses	-	-
Advertisement expenses	-	-
Office supplies	-	-
Field trips	-	-
Transportation expenses (fuel)	-	-
Transport repair, service & garage expenses	-	-
Other expenses	-	-
<b>Ending balance</b>	-	-

Prepared by:

Mrs. Z. Ariuntsatseg  
Project Accountant

Approved by:

Mr. J. Tuvshinsanaa  
Project Director



*The accompanying notes on page 1-15 are an integral part of these financial statements.*

RECEIVED  
GENERAL MANAGER'S OFFICE  
& ADMINISTRATIVE

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

**CASH ON HAND (MNT)**  
**as at December 31, 2016**

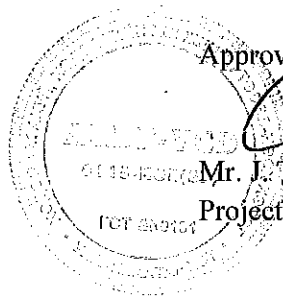
	2016.12.31	2016.04.15
	USD	USD
<b>Part A - Account transactions</b>		
<b>Beginning balance</b>	-	-
<b>Add:</b>		
Replenishment from Operational Account (State-MNT)	14,758.24	-
Other income	-	-
<b>Deduct:</b>		
Marketing and Brand development expenses	-	-
Training	241.33	-
Project Management expenses	14,506.04	-
Communication expenses	150.30	-
Advertisement expenses	-	-
Office supplies	6,169.79	-
Field trips	2,040.01	-
Transportation expenses (fuel)	-	-
Transport repair, service & garage expenses	3,249.12	-
Other expenses	2,896.82	-
Foreign exchange difference (Loss)	9.09	-
	-	-
<b>Ending balance</b>	<b>1.78</b>	<b>-</b>

Prepared by:

Mrs. Z. Ariuntsetseg  
Project Accountant

Approved by:

Mr. J. Tuvshinsanaa  
Project Director



The accompanying notes on page 1-15 are an integral part of these financial statements.

"MONGOLIAN" 08.1.16  
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**The Government of Mongolia**  
**Asian Development Bank**  
**Loan 3287-MON, 3288-MON (SF)**  
**Agriculture and Rural Development Project-Additional Financing**

**STATEMENT OF REVOLVING FUND ACCOUNT**  
**UBC Bank - 2600066567 USD**  
**as at December 31, 2016**

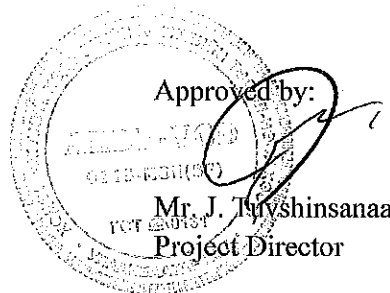
	2016.12.31 USD	2016.04.15 USD
<b>Дансны хөдөлгөөн</b>		
<b>Эхний үлдэгдэл</b>	<b>3,075,295.01</b>	<b>3,028,679.90</b>
<b>Нэмэх нь</b>		
ARDP эх үүсвэрээс татан авсан	-	-
VCI Loan repayment	112,500.00	-
Loan repayment	-	37,500.00
Bank interest earned	3,235.88	9,117.06
Other income	-	-
<b>Deduct:</b>		
Transferred to the BOM Imprest Account	-	-
Transferred to Operational Accounts	3,075,000.00	-
VCI Investments - Transfer to Golomt bank	-	-
VCI Investments - Transfer to Khan bank	-	-
VCI Investments - Transfer to Xac bank	-	-
VCI Investments - Transfer to TDB	-	-
Bank Charges	6.40	1.95
<b>Ending balance</b>	<b>116,024.49</b>	<b>3,075,295.01</b>

Prepared by:



Mrs. Z. Ariuntsetseg  
Project Accountant

Approved by:



Mr. J. Tuvshinsanaa  
Project Director

The accompanying notes on page 1-15 are an integral part of these financial statements.

"BANK OF MONGOLIA" Co., Ltd.  
 CHAIRMAN: M. J. TUVSHINSANA  
 GENERAL MANAGER: M. J. TUVSHINSANA

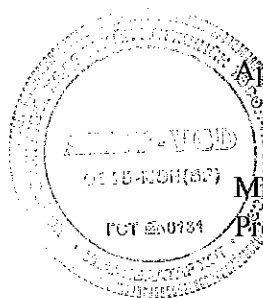
**The Government of Mongolia**  
**Asian Development Bank**  
**Loan 3287-MON, 3288-MON (SF)**  
**Agriculture and Rural Development Project-Additional Financing**

**STATEMENT OF REVOLVING FUND ACCOUNT**  
**UBC Bank - 2600066556 MNT**  
**as at December 31, 2016**

	2016.12.31	2016.04.15
	USD	USD
<b>Part A - Account transactions</b>		
<b>Beginning balance</b>	<b>2,564,835.23</b>	<b>2,765,770.20</b>
<b>Add:</b>		
Transferring funds from ARDP	-	-
VCI Loan repayment	409,538.30	175,912.52
Bank interest earned	11,560.76	24,587.95
Other income	-	1,420.27
<b>Deduct:</b>		
Transferred to the BOM Imprest Account	-	380,489.60
Transferred to Operational Accounts	2,539,377.22	-
VCI Investments - Transfer to Golomt bank	-	-
VCI Investments - Transfer to Khan bank	-	-
VCI Investments - Transfer to Xac bank	-	-
VCI Investments - Transfer to TDB	-	-
Bank Charges	5.68	1.95
Foreign exchange difference (Loss)	48,157.52	22,366.11
<b>Ending balance</b>	<b>398,393.87</b>	<b>2,564,835.23</b>

Prepared by:

Mrs. Z. Ariuntsetseg  
Project Accountant



Approved by:

Mr. J. Tuvshinsanaa  
Project Director

*The accompanying notes on page 1-15 are an integral part of these financial statements.*

CONFIDENTIAL  
CONFIDENTIAL  
& APPRAISAL

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

**STATEMENT OF DEPOSIT ACCOUNT**  
**Capitron Bank - 3000016832 USD**  
**as at December 31, 2016**

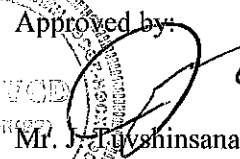
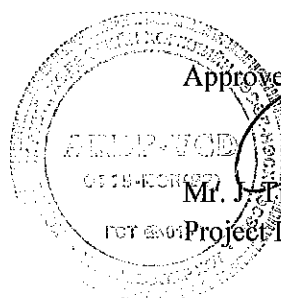
	2016.12.31 USD	2016.04.15 USD
<b>Part A - Account transactions</b>		
<b>Beginning balance</b>	-	-
<b>Add:</b>		
From Revolving Fund account	461,250.00	-
Bank interest earned	-	-
Other income	-	-
<b>Deduct:</b>		
Transferred to the BOM Imprest Account	-	-
VCI Investments - Transfer to Golomt bank	-	-
VCI Investments - Transfer to Khan bank	-	-
VCI Investments - Transfer to Xac bank	-	-
VCI Investments - Transfer to TDB	-	-
Bank Charges	-	-
<b>Ending balance</b>	<b>461,250.00</b>	<b>-</b>

Prepared by:



Mrs. Z. Ariuntsetseg  
Project Accountant

Approved by:

  
  
Mr. J. Tuvshinsanaa  
Project Director

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

**STATEMENT OF DEPOSIT ACCOUNT**  
**Capitron Bank - 3000016831 MNT**  
**as at December 31, 2016**


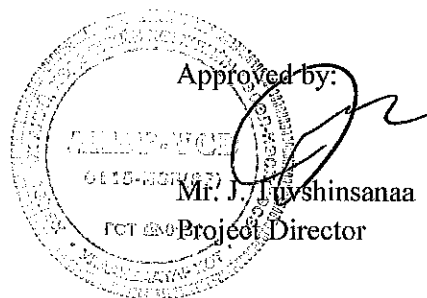
	2016.12.31	2016.04.15
	USD	USD
<b>Part A - Account transactions</b>		
<b>Beginning balance</b>	-	-
<b>Add:</b>		
From Revolving Fund account	380,906.58	-
Bank interest earned	-	-
Other income	-	-
<b>Deduct:</b>		
Transferred to the BOM Imprest Account	-	-
VCI Investments - Transfer to Golomt bank	-	-
VCI Investments - Transfer to Khan bank	-	-
VCI Investments - Transfer to Xac bank	-	-
VCI Investments - Transfer to TDB	-	-
Bank Charges	-	-
Foreign exchange difference (Loss)	73,459.99	-
<b>Ending balance</b>	<b>307,446.59</b>	-

Prepared by:



Mrs. Z. Ariuntsetseg  
Project Accountant

Approved by:

  
  
Mr. J. Oyshinsanaa  
Project Director

*The accompanying notes on page 1-15 are an integral part of these financial statements.*

APPROVED BY: [Signature]  
GENERAL MANAGER, AUDITING  
& APPRAISAL



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

**STATEMENT OF DEPOSIT ACCOUNT**

**Ulaanbaatar City Bank - 2600084962 USD**

**as at December 31, 2016**

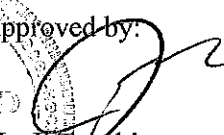
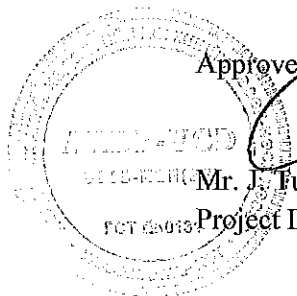
	2016.12.31	2016.04.15
	USD	USD
<b>Part A - Account transactions</b>		
<b>Beginning balance</b>	-	-
<b>Add:</b>		
From Revolving Fund account	2,152,500.00	-
Bank interest earned	-	-
Other income	-	-
<b>Deduct:</b>		
Transferred to the BOM Imprest Account	-	-
VCI Investments - Transfer to Golomt bank	-	-
VCI Investments - Transfer to Khan bank	-	-
VCI Investments - Transfer to Xac bank	-	-
VCI Investments - Transfer to TDB	-	-
Bank Charges	-	-
Foreign exchange difference (Loss)	-	-
<b>Ending balance</b>	<b>2,152,500.00</b>	-

Prepared by:



Mrs. Z. Ariuntssetseg  
Project Accountant

Approved by:

Mr. J. Tuvshinsanaa  
Project Director

*The accompanying notes on page 1-15 are an integral part of these financial statements.*

"Ulaanbaatar City Bank" Co., Ltd.  
CERTIFIED ACCOUNTING, AUDITING  
& APPRAISAL

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

**STATEMENT OF DEPOSIT ACCOUNT**  
**Ulaanbaatar City Bank - 2600084961 MNT**  
**as at December 31, 2016**

	2016.12.31	2016.04.15
	USD	USD
<b>Part A - Account transactions</b>		
<b>Beginning balance</b>	-	-
<b>Add:</b>		
From Revolving Fund account	1,777,564.06	-
Bank interest earned	-	-
Other income	-	-
<b>Deduct:</b>		
Transferred to the BOM Imprest Account	-	-
VCI Investments - Transfer to Golomt bank	-	-
VCI Investments - Transfer to Khan bank	-	-
VCI Investments - Transfer to Xac bank	-	-
VCI Investments - Transfer to TDB	-	-
Bank Charges	-	-
Foreign exchange difference (Loss)	342,813.32	-
<b>Ending balance</b>	<b>1,434,750.74</b>	<b>-</b>

Prepared by:



Mrs. Z. Ariuntsetseg  
Project Accountant

Approved by:



Mr. J. Puvshinsanaa  
Project Director

*The accompanying notes on page 1-15 are an integral part of these financial statements.*

"BANK OF MONGOLIA" Co., Ltd.  
CERTIFIED PUBLIC ACCOUNTING  
& APPRAISAL

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

**STATEMENT OF DEPOSIT ACCOUNT**  
**Chinggis Khan Bank - 3910040001 USD**  
**as at December 31, 2016**

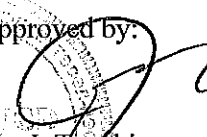
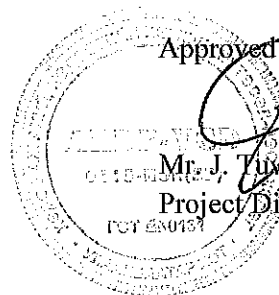
	2016.12.31 USD	2016.04.15 USD
<b>Part A - Account transactions</b>		
<b>Beginning balance</b>	-	-
<b>Add:</b>		
From Revolving Fund account	461,250.00	-
Bank interest earned	-	-
Other income	-	-
<b>Deduct:</b>		
Transferred to the BOM Imprest Account	-	-
VCI Investments - Transfer to Golomt bank	-	-
VCI Investments - Transfer to Khan bank	-	-
VCI Investments - Transfer to Xac bank	-	-
VCI Investments - Transfer to TDB	-	-
Bank Charges	-	-
Foreign exchange difference (Loss)	-	-
<b>Ending balance</b>	<b>461,250.00</b>	<b>-</b>

Prepared by:



Mrs. Z. Ariuntsetseg  
Project Accountant

Approved by:

Mr. J. Tuxshinsanaa  
Project Director

The accompanying notes on page 1-15 are an integral part of these financial statements.

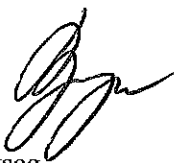
"THE GOVERNMENT OF MONGOLIA"  
 CHINGGIS KHAN BANK, AUDITING  
 & APPRAISAL

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

**STATEMENT OF DEPOSIT ACCOUNT**  
**Chinggis Khan Bank - 3910010001 MNT**  
**as at December 31, 2016**

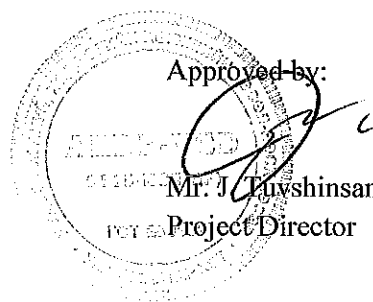
	2016.12.31 USD	2016.04.15 USD
<b>Part A - Account transactions</b>		
<b>Beginning balance</b>	-	-
<b>Add:</b>		
From Revolving Fund account	380,906.58	-
Bank interest earned	-	-
Other income	-	-
<b>Deduct:</b>		
Transferred to the BOM Imprest Account	-	-
VCI Investments - Transfer to Golomt bank	-	-
VCI Investments - Transfer to Khan bank	-	-
VCI Investments - Transfer to Xac bank	-	-
VCI Investments - Transfer to TDB	-	-
Bank Charges	-	-
Foreign exchange difference (Loss)	73,459.99	-
<b>Ending balance</b>	<b>307,446.59</b>	-

Prepared by:



Mrs. Z. Ariuntsetseg  
Project Accountant

Approved by:



Mr. J. Tuvshinsanaa  
Project Director

The accompanying notes on page 1-15 are an integral part of these financial statements.

CERTIFIED / VERIFIED, AUDITING  
& APPROVAL

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

**STATEMENT OF GOV'T ACCOUNT (State Bank: 104900062938 - USD)**  
**as at December 31, 2016**

	2016.12.31 USD	2016.04.15 USD
<b>Part A - Account transactions</b>		
<b>Beginning balance</b>	<b>48,292.52</b>	<b>61,866.01</b>
<b>Add:</b>		
Income from BOM Imprest Account	-	-
Income from Imprest Account	-	4,278.60
Bank interest earned	1,887.19	-
Other income	-	-
<b>Deduct:</b>		
Transferred to Gov't USD Sub-account at SB (104900063340)	4,950.00	7,866.26
Transferred to Gov't MNT Sub-account at SB (104900063354)	-	3,439.80
Marketing and Brand development expenses	3,284.22	6,168.46
Training	-	-
Consulting Services	-	-
Project Management expenses	4.93	377.57
PMU staff remuneration	-	-
Communication expenses	-	-
Advertisement expenses	-	199.40
Other expenses	-	-
Field trips	-	-
Car taxes	-	178.17
Bank Charges	4.93	-
	-	-
<b>Ending balance</b>	<b>41,940.56</b>	<b>48,292.52</b>

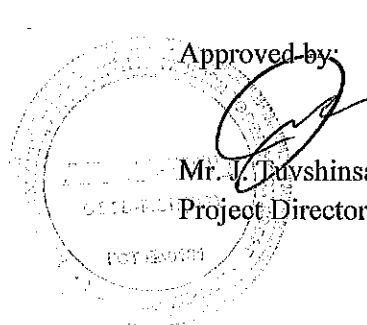
Prepared by:

Mrs. Z. Ariuntsetseg  
Project Accountant



Approved by:

Mr. J. Tuvshinsanaa  
Project Director



The accompanying notes on page 1-15 are an integral part of these financial statements.

"DASH/AM/ADB" Co., Ltd  
GENERAL ACCOUNTING, AUDITING  
& APPRAISAL

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

**STATEMENT OF GOV' SUB-ACCOUNT (State Bank: 104900063340 - USD)**  
**as at December 31, 2016**

	2016.12.31 USD	2016.04.15 USD
<b>Part A - Account transactions</b>		
<b>Beginning balance</b>	<b>24.17</b>	<b>1,061.22</b>
<b>Add:</b>		
Income from Gov't Imprest Account (SB 104900062938)	4,950.00	7,866.26
Bank interest earned	2.97	-
Other income	-	-
	-	-
<b>Deduct:</b>		
Transferred to Gov't MNT Sub-account at SB (104900063354)	1,370.35	3,890.00
Transferred to cash on hand (MNT)	-	-
Marketing and Brand development expenses	-	-
Training	-	-
Consulting Services	-	-
Project Management expenses	3,550.00	5,013.31
PMU staff remuneration	-	5,011.61
Communication expenses	-	-
Advertisement expenses	-	-
Office supplies	-	-
Field trips	3,550.00	-
Transportation expenses (fuel)	-	-
Transport repair, service & garage expenses	-	-
Car insurance	-	-
Audit expenses	-	-
Other expenses	-	-
Bank Charges	-	1.70
Foreign exchange difference (Loss)	-	-
<b>Ending balance</b>	<b>56.79</b>	<b>24.17</b>

Prepared by:

Mrs. Z. Ariuntsetseg  
Project Accountant

Approved by:

Mr. J. Tuvshinsanaa  
Project Director

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CONFIRMED BY THE AUDITING  
& APPRAISAL

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

**STATEMENT OF GOV'T SUB-ACCOUNT (State Bank: 104900063354 - MNT)**  
**as at December 31, 2016**

	2016.12.31 USD	2016.04.15 USD
<b>Part A - Account transactions</b>		
<b>Beginning balance</b>	<b>4,455.42</b>	<b>61.08</b>
Add:		
Income from Gov't Imprest Account (State bank)	-	4,333.59
Income from Gov't Sub-Account (State bank-USD)	1,364.47	3,878.09
Revenue from closing of ADB accounts	-	-
Bank interest earned	50.62	-
Other income	-	-
Foreign exchange gain/loss	-	48.47
Deduct:		
Transferred to cash on hand (MNT)	-	1,690.96
Marketing and Brand development expenses	2,740.36	-
Training	-	-
Project Management expenses	1,382.04	2,174.85
PMU staff remuneration	-	-
Communication expenses	-	269.13
Advertisement expenses	-	-
Office supplies	-	207.83
Electricity expenses	-	-
Office rent expenses	-	-
Field trips	1,382.04	-
Transportation expenses (fuel)	-	1,697.24
Transport repair, service & garage expenses	-	-
Car insurance	-	-
Audit expenses	-	-
Other expenses	-	-
Bank Charges	-	0.65
Foreign exchange difference (Loss)	296.20	-
<b>Ending balance</b>	<b>1,451.91</b>	<b>4,455.42</b>

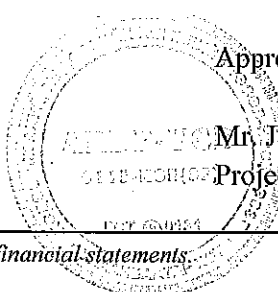
Prepared by:

Mrs. Z. Ariuntsetseg  
Project Accountant



Approved by:

Mr. J. Tuvshinsanaa  
Project Director



The accompanying notes on page 1-15 are an integral part of these financial statements.

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

**CASH ON HAND (MNT)**  
**as at December 31, 2016**

	2016.12.31	2016.04.15
	USD	USD
<b>Part A - Account transactions</b>		
<b>Beginning balance</b>	<b>2.56</b>	<b>1.51</b>
<b>Add:</b>		
Replenishment from Sub-Account (State bank - USD)	-	-
Replenishment from Sub-Account (State bank - MNT)	-	1,690.96
Other income	-	-
Foreign exchange difference (Gain)	-	0.99
<b>Deduct:</b>		
Marketing and Brand development expenses	-	-
Training	-	-
Project Management expenses	-	1,690.90
Communication expenses	-	139.21
Advertisement expenses	-	-
Office supplies	-	443.16
Electricity expenses	-	-
Office rent expenses	-	-
Field trips	-	-
Transportation expenses (fuel)	-	750.12
Transport repair, service & garage expenses	-	-
Other expenses	-	358.41
Foreign exchange difference (Loss)	0.50	-
<b>Ending balance</b>	<b>2.06</b>	<b>2.56</b>

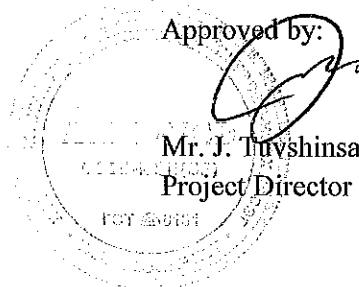
Prepared by:

Mrs. Z. Ariuntsetseg  
Project Accountant



Approved by:

Mr. J. Tuvshinsanaa  
Project Director



*The accompanying notes on page 1-15 are an integral part of these financial statements.*

"BAYANMONT" CO., LTD  
CENTRAL AUDITING, ACCOUNTING  
& TAX SERVICE



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

**STATEMENT OF GOV'T ACCOUNT (Capitron Bank: 3000016760 - MNT)**  
**as at December 31, 2016**

	2016.12.31 USD	2016.04.15 USD
<b>Part A - Account transactions</b>		
<b>Beginning balance</b>	<b>387,377.77</b>	-
Add:		
Transferring funds from ARDP	-	-
Income from Gov't Imprest Account	-	-
Income from Revolving Fund Account (UBC bank)	-	-
Bank interest earned	-	-
Other income	-	-
Foreign exchange difference (Gain)	-	-
Deduct:		
Transferred to Sub-Account for Social contributions (MNT)	48,656.88	-
Project Management expenses	-	-
Bank Charges	-	-
Foreign exchange difference (Loss)	66,219.65	-
<b>Ending balance</b>	<b>272,501.24</b>	<b>387,377.77</b>

Prepared by:

Mrs. Z. Ariuntsetseg  
Project Accountant

Approved by:

Mr. J. Urvshinsanaa  
Project Director

*The accompanying notes on page 1-15 are an integral part of these financial statements.*

"UL" (UL) Co., Ltd.  
CONSULTING, ACCOUNTING,  
& APPRAISAL

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

**STATEMENT OF GOV'T SUB-ACCOUNT (Capitron Bank: 3000016761 - MNT)**  
**as at December 31, 2016**

	2016.12.31	2016.04.15
	USD	USD
<b>Part A - Account transactions</b>		
<b>Beginning balance</b>	-	-
<b>Add:</b>		
Income from Capitron bank Account	48,656.88	-
Bank interest earned	704.36	-
Other income	-	-
Foreign exchange difference (Gain)	-	-
<b>Deduct:</b>		
Transferred to Capitron Bank Account (MNT)	-	-
Project Management expenses	19,566.83	-
Social Security Contribution	6,002.85	-
Office rent expenses	13,558.53	-
Bank Charges	5.45	-
Foreign exchange difference (Loss)	6,395.16	-
<b>Ending balance</b>	<b>23,399.25</b>	-

Prepared by:

Mrs. Z. Ariuntssetseg  
Project Accountant

Approved by:

Mr. J. Tuvshinsanaa  
Project Director

The accompanying notes on page 1-15 are an integral part of these financial statements.

CAPITRON BANK  
GENERAL MANAGER  
& APPOINTED

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Project background

On October 28, 2015, The Government of Mongolia (GoM) entered into two loan agreements (Loan Number 3287-MON and 3288-MON (SF)) with the Asian Development Bank (ADB) to lend to the Borrower from ADB's Special Funds resources an amount in various currencies equivalent to Special Drawing Rights (SDR)10,719,000 and \$35,000,000 from ADB's ordinary capital resources, respectively, for the purpose of funding the Additional Financing of the Agriculture and Rural Development Project (the Project). Each loan agreement went into effect on a date 90 days after the date of the loan agreement. The Project is expected to be completed by December 31, 2020.

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

#### Output 1. Financing of Value Chain Investments

This output comprises: (a) preparation of value chain investment proposals; (b) due diligence of Subprojects; (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 of Participating Banks and Participating Enterprises in financial management, value chain development and social and environmental safeguards.

#### 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. For output 1, PMU is responsible for: (i) collaborate with the project participating banks (PPBs) to recruit and select project participating enterprises (PPEs), and (ii) conduct assessment and analysis PPEs' value chain investment proposals, conduct financial, business, environmental, and social due diligence for VCI proposals and in consultation with relevant government agencies and ADB.

The table shows the comparison between ADF loan proceeds and cumulative expenditures as of Dec 31, 2016

No.	Item	Total Amount Allocated for ADB Financing (USD)	Total expenditures cumulative to Dec 31, 2016 (USD)	Disbursement %
1	Works	234,465	0	0
2	Equipment and Materials	2,536,033	10,948	0.4
3	Consulting services	843,000	137,277	16.3
4	Value Chain Investments	8,300,000	0	0
5	Training	1,072,441	21,327	1.9
6	Marketing and Brand Development	502,332	0	0
7	Project Management	767,837	98,024	12.7
9	Financing Charges	743,892	2,502	0.3
	<b>Total</b>	<b>15,000,000</b>	<b>270,078</b>	<b>1.8</b>

The table shows the comparison between ADB OCR loan proceeds and cumulative expenditures as of Dec 31, 2016.

No.	Item	Total Amount Allocated for ADB Financing (USD)	Total expenditures cumulative to Dec 31, 2016 (USD)	Disbursement %
1	Value Chain Investments	32,950,000	2,181,423	6.6
2	Interest and commitment charges	2,050,000	37,696	1.8
	<b>Total</b>	<b>35,000,000</b>	<b>2,219,119</b>	<b>6.3</b>

#### *Project Implementation Progress during the Reporting Period*

The Project commenced from March 1, 2016 and the following activities were performed to achieve the project outputs for the reporting period.

#### Output 1. Financing of Value Chain Investments

##### **Selection and cooperation with PPBs**

- 4PPBs (Golomt Bank, Khan Bank, Trade Development Bank, Xac Bank) which had been cooperated with PMU in Phase 1 of the Project were selected for continuing work as PPBs. These banks informed their availability for the cooperation and due diligence of these banks was updated. In response to the MOF's official letter to inform commercial banks and offer the participation, another 2 banks (National Investment Bank, Ulaanbaatar City Bank) expressed their interests to join the project as a PPB. Due diligence for these banks were conducted and approved by ADB.
- Through regular communications between MOF, PPBs and PMU, On-lending agreement (OLA) was prepared and signed by the MOF and the abovementioned 6 PPBs in May and Nov 2016.
- Following the signing the contract, PMU organized information seminars and trainings for 6 PPBs and Government Credit Guarantee Fund to deliver project objectives, purpose of loan, selection criteria, requirements to bankable proposal by PPEs, application processing and loan approval processes, as well as environmental requirements, gender and social assessment.
- PMU received 9 bankable proposals which had been approved by the Credit Committees of Trade Development Bank, Khan Bank and Golomt Bank. These bankable proposals were assessed by PMU;

and 5 were approved by ADB and 4 were approved by the Project Steering Committee. A bankable proposal format was updated by PMU to make it more user friendly to applicants and also the guideline for referral of bankable proposals were updated and delivered to PPBs.

#### **Selection and cooperation with PPEs**

- PMU paid 9 field visits for PPEs assessment. During these visits in Ulaanbaatar and countryside, the project consultants conducted verification of statements, information and data provided in the bankable proposals with financial records, other primary documents, collected data and information through interviews with management and employees and factory tour, made clarification on unclear items in the bankable proposals, in most cases discussed the areas where improvement can be achieved to relate with investment loan purpose. The Environment and Social/gender consultants met relevant Local Government officers to consult and receive information on the enterprise and make required enquiries from relevant agencies and spent considerable time to verify information provided by these enterprises that lacked documentation.
- PMU conducted training and information sessions to PPEs. Cumulatively, 475 mid-level management and technical staff from 348 enterprises (including repeated attendance of staff and companies) attended the trainings.

Outcome: All together 9 subprojects were approved by ADB and Project Steering Committee. VCI financing amounted at USD7,952,519.67 (MNT18,102,300,000) was awarded and USD2,181,423.33 (MNT 5,429,839,982.08) was disbursed.

Output 2: Production capacity of herders and farmers improved;

Output 3: Enterprises' marketing and technical capacity improved; and

Output 4: Mongolian product brand(s) developed:

The Ministry of Food, Agriculture and Light Industry (MOFALI), as the Implementing Agency (IA) is assumed direct accountability and responsibility for implementation of output 2, 3 and 4. According to the project design, ADB is to select Technical Assistance Team to conduct activities of these outputs. ADB called a bid in September 2016. The Technical Assistance Team started their assignment March 2017.

Under the preparation for these outputs, PMU conducted several meetings with newly established Ministry of Food, Agriculture and Light Industry, including the State Secretary, Advisor to Minister, DGs of the Light Industry Policy Implementation and Coordination Department (LIPICD), Policy Planning Department and SME department, and Director of International Cooperation Division to provide project information and revise the planned activities and cost estimates for outputs 2, 3 and 4.

The Project brief was prepared and sent to the LIPICD in order to provide updated and basic information to relevant authorities and key officers of IA to familiarize with the projects, specifically on activities under Outputs 2, 3 and 4. PMU has made presentations on budget details, expected outputs of the overall project, implementation arrangements and milestones to the members of the Project Steering Committee (PSC), DGs of relevant departments and key sector specialists who come to an office and positions newly. PMU invited some of the PSC members from MOFALI to the field visits to the PPEs to raise their awareness and understanding of the project, as well as the sector specific issues the project is addressing.

### 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	End	
1	Project Director	PMU/National consultant	ICS (extended from Phase I)	07-01-16	12-31-20	ADB
2	VCI Coordinator	National consultant	ICS (extended from Phase I)	03-01-16	12-31-20	ADB
3	Business Advisor	National consultant	ICS	08-22-16	12-31-20	ADB
4	Financial Analyst	National consultant	ICS (extended from Phase I)	03-01-16	12-31-20	ADB
5	Social/gender consultant	National consultant	ICS (extended from Phase I)	03-01-16	12-31-20	ADB
6	Environment consultant	National consultant	ICS (extended from Phase I)	03-01-16	12-31-20	ADB
7	Accountant	PMU	ICS (extended from Phase I)	03-01-16	02-28-17	ADB
8	Admin assistant	PMU	ICS	02-01-16	02-28-17	ADB
9	Monitoring and evaluation specialist	PMU	Started from Feb 2017			
10	Driver	PMU	ICS (extended from Phase I)	03-01-16	02-28-17	ADB
11	Driver	PMU	ICS (extended from Phase I)	03-01-16	02-28-17	ADB

For the reporting period, a Business Advisor was recruited by ICS selection. Also a Monitoring and evaluation specialist was recruited. This position was not reflected in the Project Budget initially. However, Government Procedure of "Regulation on utilization of proceeds of foreign loans of the Government: Implementation, administration, financing, monitoring and evaluation of projects and programs funded by such proceeds." approved by Minister of Finance's resolution No.196 requires PMU to employ a Monitoring and evaluation specialist to support the EAs monitoring of the project.

The PMU staff and 4 national consultants performed their tasks according to their contracts which have been closely coordinated with a project work-plan. The Project Director and VCI coordinator were involved in daily project administration, communication, monitoring and preparation. PMU has concentrated its effort on preparation of the kick off the project and successfully started the project. The preparation included development of information package to PPB and PPEs, arranging printing, developing information sessions to different target groups, drafting and communicating the formats used by PPEs to prepare a bankable proposal, evaluation and assessment with guidance and finalizing them based on feedback from PPBs and PPEs, and communication with existing and prospective PPBs.

PMU provided all support for smooth implementation of project activities, which include project planning, project fund management, consultant recruitment, monitoring of project activities, and reporting to ADB. It compiled project promotion collaterals, such as project leaflet, project brochure, including information packages for PPB staff, potential PPEs and sector players. Project leaflet was printed and distributed to project marketing seminar attendants, relevant Departments of the EAs, some Trade Associations. PMU did monitoring of the existing project through collection of implementation reports, receipt of financial statements, receipt of repayment statements from banks and confirming them with the enterprise statements, implementation performance reports. PMU participated in quarterly Portfolio meeting organized by the MNRM and made presentation on project performance. MNRM was satisfied with the project performance.

Auditor's visits to the selected PPEs

We selected four (4) PPEs which got VCI loans from the 1<sup>st</sup> phase under ARDP Grant Number 0115 MON (SF) and 2<sup>nd</sup> phase under ARDP Loan Number 3287 MON and visited to understand the current business situation and loan utilization.

Selected PPEs (sector)	Current business situation and loan utilization
Subprojects financed under ARDP Grant Number 0115 MON (SF)	
Vitafit Invest LLC (diary)	The loan principle repayment started since April 23, 2014 and last payment was made at the end of April 2017. The company makes dairy products by processing milk supplied from the dairy-farm Atarchandgani (owned by Vitafit Invest LLC) where part of the loan investment was made in automatic milking equipment and purchase of higher productivity cows in Khentii aimag and other 4 milk producing centres in Batsumber, Sugnugur, Zuunkharaa and Bornuur. Some part of the loan was also utilized for renewing equipment, purchasing new equipment and milking-cows. New dairy brands such as Ulzii milk, Ulzii yogurt, Ulzii butter, Bio yogurt including bifid bacterium, Goyo yogurt, Ger yogurt and Pororo curd have been developed, made and sold successfully. In near future, the company is producing other brand new products in the Mongolian market such as dairy desert and yogurt packed to offer different flavor in one package. . Also the company started a research in producing and exporting dried camel milk.
Altai Cashmere LLC (cashmere)	Loan was received to establish a wool-spinning factory and purchase g machinery and equipment as well as raw materials. However, the plan of establishing a wool-spinning factory was cancelled and more than half of loan was repaid back on 25 February 2014, and repayment of principle started from July 3, 2015. The loan was utilized for renewing equipment and purchasing raw materials. The loan repayment was scheduled by month; but, it has been changed to be paid at the end of the year due to a decrease in ordering of goods, employee cutback and delays in revenue inflows until the year-end. The initial loan was also utilized to purchase more than 100 pure-breed of goats to create a nuclear herd to support "Mongolian Noble Fiber" brand and the total head of goats reached to more than 400. By the end of 2015, the company's key management executives were changed several times and orders were dramatically decreased. However, the company started overcoming this situation, moved towards to recovery since 2016 and external order of goods is being increased. By the beginning of 2017 the company received order from Korea to sell products through HOME SHOPPING. Now, raw material procurement and completion of experiments to achieve colors the customers have been performed. The production will start in June and products will be supplied to Korea in August and September.
Subprojects financed under ARDP Loan Number 3287 MON	
Sor Cashmere (wool and cashmere)	<p>The company received a loan from 1<sup>st</sup> phase of the project and the loan repayment completed in 2012. Also it received a loan from 2<sup>nd</sup> phase of the project to purchase raw materials, equipment and machinery and strengthen its capacity. The company settled the payment for purchasing a Murata spinning machine and planned to be commissioned by the end of May. This machinery is expected to increase yarn quality by 30-40%. The factory space for the machinery has been prepared. In early 2017 the company received a training on labor occupational safety from the Professional institution and instruction on safety for each production process was developed and displayed on sign boards in the relevant shops.</p> <p>The company is planning to purchase a number of Sthal knitting machine and needs to train additional operators and software developer. . The company renewed the labor contracts and provided all factory employees with safety apparel. Although the company has been awarded number of quality certificates by the Mongolian Agency for Standardization and</p>

	<p>Metrology on textile products and combed cashmere etc, they aim to achieve ISO standards since they started exporting to Europe. They now are in process of meeting the relevant institutions which implement standards and researching applicable processes, aspects term and cost of implementation. . They prefer to have the business standards of the company to strengthen company management rather than having production standards. In order to relate to demands in both domestic and European market, they feel that the company needs more comprehensive analysis and research on wool and cashmere products, knitwear, Home Textile to enable them to plan production better. The company's aim is to achieve 40% yak woolen yarns, 60% of cashmere and textile products in the total production. ). The order of goods decreased considerably in 2015/2016. However, the order of goods has increased in 2017.</p>
Monmeat LLC (meat processing)	<p>The company received a loan from 1<sup>st</sup> phase of the project and the loan repayment is nearly completing. Also it received a loan from 2<sup>nd</sup> phase of the project to construct an additional meat storage in Ulaanbaatar and build new production facilities in Khentii aimag as well establish a number of retail shops.</p> <p>The company's storage capacity used to be 100 ton of meat. In late 2016 the company built a meat storage was built and capacity was increased to 200 tons of meat in Ulaanbaatar. Every year, the company sells 400-500 tons of meat. 200 tons of meat was stored in the new storage.</p> <p>In Khentii aimag, the company has a slaughterhouse, 720 square meter plant space is expected to be commissioned in early June 2017. . Construction for expansion of this slaughter house is completed by early June. 140 jobs will be created by this investment in the slaughter house. By-products produced during slaughter process will be processed for more value addition and sold in local market.</p> <p>In order to expand the business and increase sales, the company is planning to establish a meat processing factory and wholesale meat center in sub-urban area of Ulaanbaatar and is implementing low price policy and adopting e-marketing and delivery services.</p>



## 2. Summary of significant accounting policies

### a) Basis of preparation

The financial statements have been prepared on a cash basis. On this basis, cash receipts are recognized when received and cash expenditures are recognized when paid rather than incurred.

### b) Basis of measurement

The financial statements have been presented in U.S.Dollar (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 rates at the dates of the transactions stated by the Bank of Mongolia. Any gains and losses are reflected in the statement of sources and used of funds.

### c) Basis presentation

The accounts' balances in the financial statements as of December 31, 2016 have been compared with such balances as of Apr 15, 2016 which was the closing date of Phase I of the Project.

### d) Imprest Account and Statement of Expenditures

In accordance to the Loan Agreement, the borrower will establish three project imprest accounts: (i) for ADF loan proceeds designed for all expenditure categories except VCI (ADF operational imprest account) at a commercial bank, (ii) for ADF loan proceeds designated for VCI (ADF-VCI imprest account) at the Bank of Mongolia and (iii) for OCR loan proceeds designated for VCI (OCR-VCI imprest accounts) at the Bank of Mongolia. The currency of all the imprest accounts is in the U.S.Dollar.

After eligible expenditures are incurred and paid from the imprest accounts, the borrower requests liquidation and replenishment of the imprest accounts by submitting a withdrawal application and summary sheet if full documentation is required, or statement of expenditures (SOE) if SOE procedure is approved. The corresponding bank statement and the imprest account reconciliation statement are also required to be submitted with the withdrawal application. The withdrawal application must be prepared in the currency of the imprest accounts.

The borrower manages and conducts the liquidation and replenishment of the imprest accounts accordance with ADB's Loan Disbursement Handbook. The SOE procedure may be used for reimbursement of eligible expenditures or liquidation of advances to the imprest accounts. The ceiling of the SOE procedure is the equivalent of \$500,000 per individual payment. The minimum value per withdrawal application is \$100,000 equivalent.

### e) Procurement of Goods, Works and Consulting Services

All procurement financed from ADB Loan are carried out in accordance with ADB's Procurement Guidelines. Contracts for civil works valued at \$100,000 or less than \$5,000,000; and contracts for goods and related services valued at \$100,000 or less than \$2,000,000 will be procured through national competitive bidding procedures (NCB). The NCB will be undertaken in accordance with standard government procedures subject to modifications agreed with ADB. Contract packages for civil works and goods valued less than \$100,000 will be awarded through shopping procedure. The selection and engagement of contractors for works, goods, and/or consulting services to be financed by ADB loan will be subject to ADB approval.

### 3. Items of the balance sheet

#### a) Cash and cash equivalents

The balances of cash and cash equivalents as of December 31, 2016 are shown below:

	Dec 31, 2016 (in USD)	Apr 15, 2016 (in USD)
<b>Cash and cash equivalents</b>		
<b>ADB loan funds</b>	<b>216,160.58</b>	
ADF VCI Imprest Account at BOM (USD)	-	-
OCR VCI Imprest Account at BOM (USD)	12,745.16	-
Imprest Account at State bank (USD)	192,176.48	-
Sub-account at State bank (USD)	7,423.18	-
Sub-account at State bank (MNT)	3,813.98	-
Petty cash (USD)	-	-
Petty cash (MNT)	1.78	-
<b>Government funds</b>	<b>5,978,414.09</b>	<b>6,080,282.68</b>
Revolving Fund Account at UBC bank (USD)	116,024.49	3,075,295.01
Revolving Fund Account at UBCB (MNT)	398,393.87	2,564,835.23
Deposit Account at Capitron bank (USD)	461,250.00	-
Deposit Account at Capitron bank (MNT)	307,446.59	-
Deposit Account at UBC bank (USD)	2,152,500.00	-
Deposit Account at UBC bank (MNT)	1,434,750.74	-
Deposit Account at Chinggis Khan bank (USD)	461,250.00	-
Deposit Account at Chinggis Khan bank (MNT)	307,446.59	-
Imprest Account at State bank (USD)	41,940.56	48,292.52
Sub-account at State bank (USD)	56.79	24.17
Sub-account at State bank (MNT)	1,451.91	4,455.42
Petty cash (MNT)	2.06	2.56
Operating account at Capitron bank (MNT)	272,501.24	387,377.77
Sub-account at Capitron bank (MNT)	23,399.25	-
<b>Total</b>	<b>6,194,574.67</b>	<b>6,080,282.68</b>

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.

USD Imprest Account No. 3430403015 at the Bank of Mongolia is designated for ADF loan proceeds for VCI whereas USD Imprest Account No.3430403014 at the Bank of Mongolia is designated for OCR loan proceeds for VCI.

USD Imprest Account No. 106000037032 at the State bank is an ADF operational account designed for all expenditures except for VCI. Under the imprest accounts, USD sub-account No.106000037041 and MNT sub-account No.104900067747 is opened in the name of ARDP.

All transactions from the imprest accounts are approved by the first signatures of MOF's State secretary (or Director of Debt Management Division) and the second signature of Project Director. The transactions from the sub-accounts must be approved by the signatures of Project Director and accountant.

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

Bank account	Balance as of Dec 31, 2016 per project record (in USD)	Balance as of Dec 31, 2016 per positive bank confirmation (USD)
Imprest Account at State bank (USD)	192,176.48	192,176.48
Sub-account at State bank (USD)	7,423.18	7,423.18
Sub-account at State bank (MNT)	3,813.98	3,813.98
Revolving Fund Account at UBC bank (USD)	116,024.49	116,024.49
Revolving Fund Account at UBC bank (MNT)	398,393.87	398,393.87
Deposit Account at Capitron bank (USD)	461,250	461,250
Deposit Account at Capitron bank (MNT)	307,446.59	307,446.59
Deposit Account at UBC bank (USD)	2,152,500	2,152,500
Deposit Account at UBC bank (MNT)	1,434,750.74	1,434,750.74
Deposit Account at Chinggis Khan bank (USD)	461,250	461,250
Deposit Account at Chinggis Khan bank (MNT)	307,446.59	307,446.59
Imprest Account at State bank (USD)	41,940.56	41,940.56
Sub-account at State bank (USD)	56.79	56.79
Sub-account at State bank (MNT)	1,451.91	1,451.91
Operating account at Capitron bank (MNT)	272,501.24	272,501.24
Sub-account at Capitron bank (MNT)	23,399.25	23,399.25
<b>Total</b>	<b>6,181,825.67</b>	<b>6,181,825.67</b>

The initial phase of Agriculture and Rural Development Project financed by Grant 0115-MON (SF) within the scope of Grant Agreement between ADB and GOM completed by April 15, 2016. The outstanding balances of Imprest Account, Sub-accounts and Revolving Fund Accounts have been transferred to the additional financing phase of Agriculture and Rural Development Project financed by Loan 3288-MON (SF) as Government funding. As respects, it was resolved by A/68 decree of the State Secretary of MOF dated March 3, 2016 that the balance of USD5,614,377.22, out of total USD and MNT Revolving Fund Accounts balances of USD5,640,130.24 at UBC bank, shall be held as a long term deposit. The balance transferred to three different commercial banks, namely Capitron bank, UBC bank and Chinggis Khan bank.

№	Revolving Fund Accounts	Balance as of Apr 15, 2016 (in USD)
1	Revolving Fund Account at UBC bank (USD)	3,075,295.01
2	Revolving Fund Account at UBC bank (MNT)	2,564,835.23
	<b>Total</b>	<b>5,640,130.24</b>

№	Deposit Accounts	Amounts held (USD)
1	Capitron bank	842,156.58
2	Chinggis Khan bank	842,156.58
3	UBC bank	3,930,064.06
	<b>Total</b>	<b>5,614,377.22</b>

b) Project expenditures

In reporting period, the Project received the total funding of USD2,194,168.49 at OCR VCI Imprest Account No.3430403014 at the Bank of Mongolia. Of total, USD2,181,423.33 was disbursed to VCI loan contractors under the on-lending agreements between MOF and PPBs.

The total amount of 467,993.03 USD was received at ADF VCI Imprest Account No.106000037032 at the Bank of Mongolia and disbursed total of 267,576.86 USD for the project expenditures.

Project expenditures	Amount (USD)
PMU Equipment	10,948.04
Training (for Output 1)	21,327.38
Consulting services	137,277.27
VCI loans (ADB OCR financing)	2,181,423.33
Project management expenses	94,898.02
Audit expense	3,096.15
Bank charges	30.00
Financial charges	40,198.14
Exchange rate gain/loss	1,115.96
	2,490,314.29

b.1) PMU equipment (ADF financing)

During 2016, office equipment amounted USD10,948.04 was purchased for PMU use.

No	Equipment title	Quantity	Amount (USD)
1	Copier-Canon IR2520	1	2,179.95
2	Computer, spare parts	9	8,768.09
<b>Total</b>			<b>10,948.04</b>

b.2) Training (ADF financing)

In the reporting period, PMU organized three types of training in the framework of Output 1. Financing of Value Chain Investments.

No	Title of training	Amount (USD)
1	Introduction seminar for private sector and training to potential applicants	7,660.04
2	VCI training for PPBs, printing of brochures and leaflets	5,098.34
3	VCI training, seminars and information workshops for relevant departments, divisions of the EAs and IAs. Printing of brochures and leaflets.	8,569.00
<b>Total</b>		<b>21,327.38</b>

### b.3) Consulting services (ADF financing)

In the reporting period, total of USD137,277.27 was paid for the following project national consultants as remuneration.

Contract No	Title of consultant	Amount (USD)
NC/006-16	Project Director*	19,800.00
NC/001-16	VCI Coordinator	26,000.00
NC/007-16	Business consultant	16,477.27
NC/002-16	Financial analyst	25,000.00
NC/003-16	Gender/social consultant	25,000.00
NC/004-16	Environmental consultant	25,000.00
<b>Total</b>		<b>137,277.27</b>

\*Remuneration amounted USD13,175.61 of Project Director for March, April, May and June 2016 were classified as PMU expenses and remuneration amounted USD19,800.00 for July, Aug, Sep, Oct, Nov and Dec 2016 were classified as Consulting services.

### b.4) VCI loans OCR VCI Loans (ADB OCR financing)

As of December 31, 2016 total of 9 subprojects were approved by ADB and Project Steering Committee and VCI contracts amounted USD7,952,519.67 (equals to MNT18,102,300,000) were awarded and USD2,181,423.33 (equals to MNT5,429,839,982.08) was disbursed to PPEs under the on-lending agreements between MOF and PPBs.

The detailed information of VCI contract award is shown below:

## Detailed information of VCI contract award

	Name of Project participating entities (PPEs)	Sector	Contract No	Loan period	Total loan approved (MNT '000)	Date of payment	Loan issued (USD)	Loan issued (MNT '000)	Balance of loan as of Dec 31, 2016 (MNT '000)	Project participating banks (PPBs)
1	Noos Ireedui LLC	Wool	GB76-03-001	84 months	3,000,000.00	2016.12.26	214,437.16	533,999.99	2,466,000.01	Golomt bank
2	Mongolian Cattle LLC	Cattle farm	GB76-03-002	84 months	375,000.00	2016.12.26	26,101.90	64,999.99	310,000.01	Golomt bank
3	Denimon LLC	Garment	179/tdbm/422/2016	84 months	500,000.00	2016.12.26	200,783.86	500,000.00	-	Trade Development bank
4	Gobi JSC	Wool and cashmere	177/tdbm/423/2016	60 months	6,000,000.00	2016.12.26	833,991.90	2,076,839.99	3,923,160.01	Trade Development bank
5	Khan Brand LLC	Diary	178/154/78/395-1	84 months	800,000.00	2016.12.26	161,430.22	401,999.99	398,000.01	Khaan bank
6	Monmeat Trade LLC	Meat processing	189/154/78/395-3	84 months	1,020,000.00	2016.12.28	249,298.35	620,000.01	399,999.99	Khaan bank
7	Sor cashmere LLC	Wool and cashmere	75/tdbm/143/2016	84 months	5,457,300.00	2016.12.28	140,732.94	350,000.01	5,107,299.99	Trade Development bank
8	Davshilt Trade LLC	Meat processing	75/tdbm/143/2016	72 months	500,000.00	2016.12.28	173,704.65	431,999.99	68,000.01	Trade Development bank
9	Russkie kolbasy LLC	Meat processing	78/395	84 months	450,000.00	2016.12.28	180,942.35	450,000.00	-	Khaan bank
	Total						2,181,423.33	5,429,839.98	12,672,460.02	

b.5) Project management expenses (ADF financing)

In the reporting period, total of USD98,024.17 was disbursed to finance the following project management expenses.

Type of expense	Amount (USD)
PMU staff salaries	54,535.61
Communications and postage costs	1,402.51
LAN, Anti-virus software and PC maintenance expenses	1,371.57
Advertising expenses	7,217.46
Office supplies	8,097.64
Site visit expenses	2,785.14
Fuel expenses	6,923.77
Car repair and garage expenses	7,532.60
Car insurance and car taxes	2,038.13
Other expenses	2,993.59
subtotal	<b>94,898.02</b>
Audit fee for FY2015 financial statements	2,088.59
Audit fee for the project closing period as of Apr 15, 2016	1,007.56
subtotal	<b>3,096.15</b>
Bank charges	30.00
Total	<b>98,024.17</b>

b.6) 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 total of USD40,198.14 was accumulated.

No	Type of expense	Amount (USD)
1	Interest for ADF Loan	2,502.30
2	Interest for OCR Loan	79.37
3	Commitment charge	37,616.47
	Total	<b>40,198.14</b>

b.7) Foreign currency gain/loss (ADF Financing)

Foreign currency loss of USD1,115.96 was recognized and reported as a result of transferring amounts in USD Imprest account to US and MNT subaccounts.

c) Expenses financed by Government of Mongolia

Type of expense	Amount (USD)
Office rent expense	13,558.53
Social security contributions	6,002.85
Site visit expenses	4,932.04
Bank charges	22.46

Marketing and brand development expenses	6,024.58
Local taxes and duties	4,851.00
Foreign exchange loss*	610,808.21
<b>Дүн</b>	<b>646,199.67</b>

\* Foreign exchange loss was recognized and reported as a result of converting in/out transactions of MNT Revolving Fund Account and MNT subaccounts for Government funding into US dollars.

d) ADB sources

In the reporting period, the Project received total of USD2,662,161.52 from ADB sources. The ADF financing amounted to USD467,993.03 represents 4.37% of total loan proceeds to be received whereas ADB OCR financing amounted to USD2,194,168.49 represents 6.23% of total loan proceeds.

Withdrawals from ADB sources	Date	Amount (USD)	2015.12.31 (USD)
<b>ADF financing</b>			
A0001	Mar 14, 2016	228,295.07	-
A0002	Aug 26, 2016	137,477.47	-
A0003	Dec 21, 2016	102,220.49	-
<b>subtotal</b>		<b>467,993.03</b>	-
<b>OCR financing</b>			
C0001	Dec 21, 2016	1,905,824.94	-
C0002	Dec 21, 2016	288,343.55	-
<b>subtotal</b>		<b>2,194,168.49</b>	-
<b>Total</b>		<b>2,662,161.52*</b>	-

\*It excludes total interest and commitment charges of USD40,198.14 computed by ADB.

ADB sources	Total loan proceeds (in USD)	Total amounts received as of Dec 31, 2016 (in USD)	% of loan proceeds
ADF financing	15,000,000.00	467,993.03	4.37%
OCR financing	35,000,000.00	2,194,168.49	6.23%

e) Government resources

	Balance as of Dec 31, 2016 (USD)	For the Reporting period (USD)	Balance as of Dec 31, 2015 (USD)
Government Funds	445,003.44	4,851.00	440,152.44
Revolving Funds	6,162,168.54	522,038.30	5,640,130.24
Bank interest earned	17,441.78	17,441.78	-
<b>Total</b>	<b>6,624,613.76</b>	<b>544,331.08</b>	<b>6,080,282.68</b>



The Statement of outstanding loan balances of VCI Loan contracts awarded under ADB Grant Number 0115 MON (SF)

№	PPBs/PPEs	Currency	Khaan bank		Xac bank		Golomt bank	Trader Development Bank		Total
			Erdenet Khivs LLC	Monmeat LLC	Altai cashmere LLC	Vitaft Invest LLC		Mogol Noos LLC	Darkhan Minj LLC	
1	Loan amount released from Project	USD thous.MNT	-	--	-	1,500,000.00	-	-	-	1,500,000.00
2	Guarantee 50%	USD thous.MNT	3,700,000.00	750,000.00	3,900,000.00	-	3,240,000.00	2,000,000.00	800,000.00	14,390,000.00
3	Loan amount released from Bank	USD thous.MNT	1,850,000.00	375,000.00	1,950,000.00	750,000.00	1,620,000.00	1,000,000.00	400,000.00	7,195,000.00
4	Unused fund of Project	USD thous.MNT	1,850,000.00	375,000.00	1,950,000.00	750,000.00	1,620,000.00	1,000,000.00	400,000.00	7,195,000.00
5	Loan repayment as of Dec 31, 2015	USD thous.MNT	1,850,000.00	375,000.00	1,950,000.00	-	1,620,000.00	1,000,000.00	400,000.00	7,195,000.00
6	Loan repayment for the period from Jan 1, 2016 to Dec 31, 2016*	USD thous.MNT	966,724.25	196,335.54	1,437,377.25	262,500.00	-	-	-	262,000.50
			-	-	-	150,000.00	-	-	-	150,000.00
7	Outstanding loan balances as of Dec 31, 2016	USD thous.MNT	401,177.36	77,574.92	93,119.08	-	302,594.26	200,000.00	200,000.00	1,274,465.62
			-	-	-	337,500.00	-	-	-	337,500.00
			482,098.39	101,089.54	419,503.67	0.00	491,320.80	550,000.00	125,000.00	2,169,012.40

\*The amounts includes the loan repayment from Jan 1, 2016 to the end of reporting period Dec 31, 2016.

	Currency	Total	Amount recorded in statement of ARDP Grant Number 0115 MON (SF) for the period Jan – Mar 2016	Amount recorded in statement of Additional financing of ARDP Loan 3287-MON, 3288-MON (SF) for the period Apr-Dec 2016
Loan repayment for the period from Jan 1, 2016 to Dec 31, 2016	USD	150,000.00	37,500.00	112,500.00
	thous.MNT	1,274,465.62	356, 147.12	409,538.30
Total loan repayment for the reporting period from Apr 15, 2016 to Dec 31, 2016				522,038.30