

Audited Project Financial Statements

Project Number: 41192-013

Loan Number: 2719

Grant Number: 0240

Period covered: 1 January 2018 to 31 December 2018

MON: Regional Logistics Development Project

Prepared by the Ministry of Road and Transport Development

For the Asian Development Bank

Date accepted by ADB: 23 October 2019

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



"The Asian
Development Bank,
Ulaanbaatar Office"

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Date 15 October 2019
Ref 19/35

Dear Sir/Madam,
Financial Specialist,

We hereby attached adjustment to the audited financial statement for the year ended 31 December 2018 of MON-2719 Loan financing agreements of Regional Logistics Development Project according to the letter received on 16 September 2019 from ADB.

It was our pleasure to cooperate with you.



Yours sincerely,

For and on behalf of DABG- Audit Co Ltd,

Geigermaa,

Director

ASIAN DEVELOPMENT BANK
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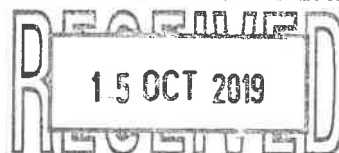
REGIONAL LOGISTICS DEVELOPMENT PROJECT

AUDIT REPORT

Financial statements prepared in accordance with the International Public Sector Accounting Standards and requirements of Loan financing agreement MON-2719, grant financing agreement MON-0240 signed between Government of Mongolia and Asian Development Bank on 03 January 2011

Financial statements for the year ended 31 December 2018

ASIAN DEVELOPMENT BANK



MONGOLIA RESIDENT MISSION

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INDEPENDENT AUDITOR'S REPORT

**To: D.Enkhbaatar, Project Director
Regional logistics development project**

Opinion

In our opinion, Financial Position, Financial Performance Statement, Cash flow Statement, Statement of Changes in Net Asset/Equity of Regional logistics development project as at December 31, 2018 present fairly, in all material respects, according to the International Public Sector Accounting Standard issued by the International Public Sector Accounting Standards Board.

We have audited the accompanying financial statements of Regional logistics development project, which comprise the Financial Position, Financial Performance Statement, Cash flow Statement, Imprest Account Statement, Statement of Project Sources and Uses of Funds, Statement of Changes in Net Asset/Equity and a summary of significant accounting policies and other explanatory information as at December 31, 2018.

Basis for Opinion

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA) issued by the International Auditing and Assurance Standards Board (IAAS) of the Federation of Accountants. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Project in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled other ethical responsibilities in accordance with these requirements and the IESBA code. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility

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

As part of an audit, our responsibilities include the exercise of professional judgment and skepticism and those responsibilities indicated in paragraphs 38 and 39 of (revised) ISA 700 posted in International Federation of Accountants website.

Report on Compliance with Specific ADB Requirements

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required by ADB is presented for compliance purposes and is not required part of the basic financial statements. Such information is the responsibility of the Project and has been subjected to the auditing procedures. In our opinion,

- The ADB funds were used to finance the Project expenditures in accordance with the Loan agreement MON-2719, Grant agreement MON-0240 as at 31 December 2018.
- The Imprest Account Statement and Statement of expenditures are prepared in accordance with ADB Loan Disbursement Handbook; Applications for withdrawals give a true and fair view as at 31 December 2018 and supported by evidence in accordance with the categories of expenditures set forth in the contract.



DABG AUDIT CO., LTD
28.06.2019

GOVERNMENT OF MONGOLIA
ASIAN DEVELOPMENT BANK LOAN L2719-MON
ASIAN DEVELOPMENT BANK GRANT FINANCING G0240-MON

REGIONAL LOGISTICS DEVELOPMENT PROJECT

AUDITED FINANCIAL POSITION STATEMENT

(as at 31 December 2018)

(usd)

Description	Note	31 December, 2018	31 December, 2017
ASSET			
Current asset			
Cash and cash equivalent	3.a	64,990.32	45,071.57
Receivable	3.b	172.49	-
Goods	3.c	31.46	31.46
Total current asset		65,194.27	45,103.03
Non-current asset			
Property, plant and equipment	3.d	36,447.79	43,219.02
Other non-current asset	3.e	41,653,397.27	26,528,688.38
Total non-current asset		41,689,845.06	26,571,907.40
TOTAL ASSET		41,755,039.33	26,617,010.43
LIABILITIES			
Long-term liabilities			
Long-term loan	3.f	29,750,820.80	16,049,489.80
Total long-term liabilities		29,750,820.80	16,049,489.80
TOTAL LIABILITIES		29,750,820.80	16,049,489.80
NET ASSET/EQUITY			
Government contribution		1,470.49	1,470.49
Accumulated performance	3.g	12,002,748.04	10,566,050.14
Previous period performance		10,566,050.14	7,912,248.98
Reporting period performance		1,436,697.90	2,653,801.16
Total net asset/equity		12,004,218.53	10,567,520.63
TOTAL LIABILITY AND NET ASSET/EQUITY		41,755,039.33	26,617,010.43

D.Enkhbaatar
Project Coordinator
27 June, 2019

B.Enkhsansar
Financial officer

GOVERNMENT OF MONGOLIA
ASIAN DEVELOPMENT BANK LOAN L2719-MON
ASIAN DEVELOPMENT BANK GRANT FINANCING G0240-MON
REGIONAL LOGISTICS DEVELOPMENT PROJECT

AUDITED FINANCIAL PERFORMANCE STATEMENT

(as at 31 December 2018)

(usd)

Description	Note	Reporting year	Previous year
FINANCING AND INCOME			
Grant financing	3.h	821,257.51	580,638.98
Government financing	3.i	752,615.72	2,218,627.14
Other income		-	600.00
TOTAL FINANCING AND INCOME		1,573,873.23	2,799,866.12
OPERATIONAL EXPENSES			
Salaries and allowances		99,952.25	101,255.32
Supply and consumption costs		21,659.72	28,604.74
Financial costs	3.j	4,115.61	3,328.94
Other expenses		4,341.21	7,715.54
Depreciation cost		6,771.23	5,073.14
TOTAL OPERATIONAL EXPENSES		136,840.02	145,977.68
OPERATIONAL RESULT		1,437,033.21	2,653,888.44
NON-OPERATING GAINS AND LOSSES			
Currency exchange loss/gain	3.k	(335.31)	(87.28)
TOTAL NON-OPERATIONAL RESULT		(335.31)	(87.28)
TOTAL RESULT		1,436,697.90	2,653,801.16

D.Enkhbaatar
Project Coordinator
27 June, 2019



B.Enkhsansar
Financial officer



GOVERNMENT OF MONGOLIA
ASIAN DEVELOPMENT BANK LOAN L2719-MON
ASIAN DEVELOPMENT BANK GRANT FINANCING G0240-MON
REGIONAL LOGISTICS DEVELOPMENT PROJECT

AUDITED STATEMENT OF CHANGES IN NET ASSET/EQUITY
(as at 31 December 2018)

(usd)

Description	Government contributed capital	Accumulated performance	Total Government contribution
Balance as of January 1 of 2017	1,470.49	45,071.57	46,542.06
Reporting period performance	-	2,653,801.16	2,653,801.16
Balance as of December 31 of 2017	1,470.49	2,698,872.73	2,700,343.22
Changes in accounting policies		7,867,177.41	7,867,177.41
Adjusted balance	1,470.49	10,566,050.14	10,567,520.63
Reporting period performance	-	1,436,697.90	1,436,697.90
Balance as of December 31 of 2018	1,470.49	12,002,748.04	12,004,218.53

D.Enkhbaatar
Project Coordinator
27 June, 2019

B.Enkhsansar
Financial officer

**GOVERNMENT OF MONGOLIA
ASIAN DEVELOPMENT BANK LOAN L2719-MON
ASIAN DEVELOPMENT BANK GRANT FINANCING G0240-MON**

REGIONAL LOGISTICS DEVELOPMENT PROJECT

AUDITED CASH FLOW STATEMENT

(as at 31 December 2018)

(usd)

Description	31 December, 2018	31 December, 2017
CASHFLOWS FROM OPERATING ACTIVITIES		
Grant financing	821,257.51	580,638.98
Government financing	481,248.01	1,282,631.21
Other income	43.65	657.78
RECEIPTS	1,302,549.17	1,863,927.97
Employees expenses	99,952.25	101,255.32
Other expenses	30,329.73	39,561.95
PAYMENTS	130,281.98	140,817.27
NET CASHFLOWS FROM OPERATING ACTIVITIES	1,172,267.19	1,723,110.70
CASHFLOWS FROM INVESTING ACTIVITIES		
Investment cost	14,853,344.13	12,668,245.57
NET CASHFLOWS FROM INVESTING ACTIVITIES	(14,853,344.13)	(12,668,245.57)
CASHFLOWS FROM FINANCING ACTIVITIES		
Received loan financing	13,701,331.00	10,988,436.50
Currency exchange loss/gain	(335.31)	(87.28)
NET CASHFLOWS FROM FINANCING ACTIVITIES	13,700,995.69	10,988,349.22
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	19,918.75	43,214.35
Beginning balance of cash and cash equivalent	45,071.57	1,857.22
Ending balance of cash and cash equivalent	64,990.32	45,071.57

D.Enkhbaatar
Project Coordinator
27 June, 2019



B.Enkhsansar
Financial officer



GOVERNMENT OF MONGOLIA
ASIAN DEVELOPMENT BANK LOAN L2719-MON
ASIAN DEVELOPMENT BANK GRANT FINANCING G0240-MON
REGIONAL LOGISTICS DEVELOPMENT PROJECT

AUDITED SOURCES AND USES OF FUNDS

(as at 31 December 2018)

			(usd)
Description	cumulative as of 2017/12/31	2018 year	cumulative as of 2018/12/31
Monetary asset beginning balance		45,071.57	
FINANCING INCOME			
Loan financing L2719-MON	16,049,489.80	13,701,331.00	29,750,820.80
Grant financing G0240-MON	3,146,247.46	821,257.51	3,967,504.97
Government financing	8,461,999.14	752,615.72	9,214,614.86
Total financing	27,657,736.40	15,275,204.23	42,932,940.63
Interest income	1,136.90	-	1,136.90
Tender income	600.00	-	600.00
Total other income	1,736.90	-	1,736.90
TOTAL FINANCING AND OTHER INCOME	27,659,473.30	15,275,204.23	42,934,677.53
PROJECT DISBURSEMENT			
Loan disbursement 2719-MON			
Works	15,951,489.80	13,701,331.00	29,652,820.80
Equipment	98,000.00	-	98,000.00
Total disbursement	16,049,489.80	13,701,331.00	29,750,820.80
Grant disbursement 0240-MON			
Consulting service	1,990,869.92	670,765.12	2,661,635.04
Project management	1,026,477.54	150,492.39	1,176,969.93
Disbursed but not claimed expenditure	83,907.89	(20,278.18)	63,629.71
Total disbursement	3,101,255.35	800,979.33	3,902,234.68
Government financing			
Works	8,460,528.65	752,615.72	9,213,144.37
Project management	1,470.49	-	1,470.49
Total disbursement	8,461,999.14	752,615.72	9,214,614.86
Other expenditure			
Bank charges	194.13	24.12	218.25
Currency exchange loss	863.31	335.31	1,198.62
Tender fee	600.00	-	600.00
Total other expenditure	1,657.44	359.43	2,016.87
TOTAL DISBURSEMENT	27,614,401.73	15,255,285.48	42,869,687.21
FINANCING BALANCE	45,071.57	64,990.32	64,990.32

D.Enkhbaatar
 Project Coordinator
 27 June, 2019

B.Enkhsansar
 Financial officer

GOVERNMENT OF MONGOLIA
ASIAN DEVELOPMENT BANK LOAN L2719-MON
ASIAN DEVELOPMENT BANK GRANT FINANCING G0240-MON

REGIONAL LOGISTICS DEVELOPMENT PROJECT

AUDITED BUDGET PERFORMANCE STATEMENT

(as at 31 December 2018)

(usd)

Expenditure category	Total budget	Disbursement			Performance percentage
		cumulative as 31 December 2017	2018 year	cumulative as 31 December 2018	
MON-2719 LOAN DISBURSEMENT					
Work	33,544,700.00	15,951,489.80	13,701,331.00	29,652,820.80	88.4%
Equipment	6,110,000.00	98,000.00	-	98,000.00	1.6%
Unallocated expenditure	345,300.00	-	-	-	0.0%
TOTAL	40,000,000.00	16,049,489.80	13,701,331.00	29,750,820.80	74.4%
MON-0240 GRANT DISBURSEMENT					
Work	671,600.00	-	-	-	0.0%
Project management, consulting service, environmental impact	4,328,400.00	3,017,347.46	821,257.51	3,838,604.97	88.7%
TOTAL	5,000,000.00	3,017,347.46	821,257.51	3,838,604.97	76.8%
GOVERNMENT DISBURSEMENT					
Work	13,067,100.00	7,524,532.73	481,248.01	8,005,780.74	61.3%
License fee, tax	3,595,300.00	935,995.92	271,367.71	1,207,363.63	33.6%
Implementation period tax and fee	1,366,400.00	-	-	-	0.0%
Project management	-	1,470.49	-	1,470.49	0.0%
Unallocated expenditure	8,610,200.00	-	-	-	0.0%
TOTAL	26,639,000.00	8,461,999.14	752,615.72	9,214,614.86	34.6%

D.Enkhbaatar
 Project Coordinator
 27 June, 2019

B.Enkhsansar
 Financial officer

GOVERNMENT OF MONGOLIA
ASIAN DEVELOPMENT BANK LOAN L2719-MON
ASIAN DEVELOPMENT BANK GRANT FINANCING G0240-MON
REGIONAL LOGISTICS DEVELOPMENT PROJECT

AUDITED IMPREST ACCOUNT STATEMENT

(as at 31 December 2018)

	(usd)	
	2018.12.31	2017.12.31
PART A- ACCOUNT OPERATIONS		
Account beginning balance	38,327.94	-
Add:		
Total income:	150,492.39	183,461.12
ADB replenishment	150,492.39	183,461.12
Interest income	-	-
Deduct:		
Total disbursement:	133,488.30	145,133.18
Transferred to subaccount	133,464.18	145,099.13
Bank charges	24.12	34.05
Account ending balance	55,332.03	38,327.94
PART B- ACCOUNT RECONCILIATION		
Imprest Account balance at the end of the year	55,332.03	38,327.94
Add:	75,304.87	92,308.96
Disbursed but not claimed amount	63,629.71	83,907.89
Balance of Project subaccount \$	1,270.44	1,226.79
Balance of Project subaccount ₮	-	5,516.69
Balance of State treasury account	8,387.70	-
Petty cash	0.15	0.15
Bank charges	218.25	194.13
Currency exchange loss	1,198.62	863.31
Tender fee	600.00	600.00
Deduct:	1,736.90	1,736.90
Interest income	1,136.90	1,136.90
Tender income	600.00	600.00
Total advance recorded in Imprest account	128,900.00	128,900.00

D.Enkhbaatar
Project Coordinator
27 June, 2019

D. Enkhbaatar

B.Enkhsansar
Financial officer

B. Enkhsansar

**GOVERNMENT OF MONGOLIA
ASIAN DEVELOPMENT BANK LOAN L2719-MON
ASIAN DEVELOPMENT BANK GRANT FINANCING G0240-MON
REGIONAL LOGISTICS DEVELOPMENT PROJECT**

**AUDITED SUMMARY OF APPLICATION FOR WITHDRAWAL
(as at 31 December 2018)**

(usd)

Number		Claimed		Financed	
		Date	Amount	Date	Amount
Explanation	1 2				
MON-2719 LOAN FINANCING					
Cumulative as of 31 December 2017			16,049,489.80		16,049,489.80
WA#L0012	✓		1,398,881.00	2018.02.15	1,398,881.00
WA#L0013	✓		729,695.00	2018.05.16	729,695.00
WA#L0014	✓		518,700.00	2018.07.09	518,700.00
WA#L0015	✓		333,351.00	2018.06.22	333,351.00
WA#L0016	✓		2,118,955.00	2018.06.22	2,118,955.00
WA#L0017	✓		2,072,545.00	2018.06.25	2,072,545.00
WA#L0018	✓		2,272,239.00	2018.08.07	2,272,239.00
WA#L0019	✓		1,920,578.00	2018.10.16	1,920,578.00
WA#L0020	✓		1,306,206.00	2018.11.02	1,306,206.00
WA#G0001	✓		145,743.00	2018.06.29	145,743.00
WA#G0002	✓		516,989.00	2018.08.16	516,989.00
WA#G0003	✓		367,449.00	2018.10.16	367,449.00
TOTAL			13,701,331.00		13,701,331.00
Cumulative as of 31 December 2018			29,750,820.80		29,750,820.80
MON-0240 GRANT FINANCING					
Cumulative as of 31 December 2017			3,146,247.46		3,146,247.46
WA#C0006	✓		92,723.93	2018.01.31	92,723.93
WA#C0007	✓		119,085.67	2018.04.23	119,085.67
WA#C0008	✓		91,354.81	2018.06.20	91,354.81
WA#C0009	✓		237,306.77	2018.12.17	237,306.77
WA#C0010	✓		130,293.94	2018.12.17	130,293.94
WA#A0016	✓	2018.02.28	85,819.78	2018.05.22	85,819.78
WA#A0017	✓	2018.08.20	64,672.61	2018.10.18	64,672.61
TOTAL			821,257.51		821,257.51
Cumulative as of 31 December 2018			3,967,504.97		3,967,504.97

Explanation

(1) Direct payment from ADB

(2) Replenishment from ADB

D.Enkhbaatar
Project Goordinator
27 June, 2019

B.Enkhsansar
Financial officer

GOVERNMENT OF MONGOLIA
ASIAN DEVELOPMENT BANK LOAN L2719-MON
ASIAN DEVELOPMENT BANK GRANT FINANCING G0240-MON
REGIONAL LOGISTICS DEVELOPMENT PROJECT

AUDITED DISBURSEMENT STATEMENT
(as at 31 December 2018)

(usd)

WA no.	Work	Equipment	Consulting service	Project management	Total
MON-2719 LOAN DISBURSEMENT					
Cumulative as of 31 December 2017	15,951,489.80	98,000.00	-	-	16,049,489.80
WA#L0012	1,398,881.00				1,398,881.00
WA#L0013	729,695.00				729,695.00
WA#L0014	518,700.00				518,700.00
WA#L0015	333,351.00				333,351.00
WA#L0016	2,118,955.00				2,118,955.00
WA#L0017	2,072,545.00				2,072,545.00
WA#L0018	2,272,239.00				2,272,239.00
WA#L0019	1,920,578.00				1,920,578.00
WA#L0020	1,306,206.00				1,306,206.00
WA#G0001	145,743.00				145,743.00
WA#G0002	516,989.00				516,989.00
WA#G0003	367,449.00				367,449.00
TOTAL	13,701,331.00	-	-	-	13,701,331.00
Cumulative as of 31 December 2018	29,652,820.80	98,000.00	-	-	29,750,820.80

MON-0240 GRANT DISBURSEMENT					
Cumulative as of 31 December 2017	-	-	1,990,869.92	1,026,477.54	3,017,347.46
WA#C0006			92,723.93	-	92,723.93
WA#C0007			119,085.67	-	119,085.67
WA#C0008			91,354.81	-	91,354.81
WA#C0009			237,306.77	-	237,306.77
WA#C0010			130,293.94	-	130,293.94
WA#A0016			-	85,819.78	85,819.78
WA#A0017			-	64,672.61	64,672.61
TOTAL	-	-	670,785.12	150,492.39	821,257.51
Cumulative as of 31 December 2018	-	-	2,661,635.04	1,176,969.93	3,838,604.97

D.Enkhbaatar
Project Coordinator
27 June, 2019

B.Enkhsansar
Financial officer

NOTE 1. PROJECT DESCRIPTION

Project name: Regional logistics development project
Project number: 41192-023
Contract approval date: 2011.01.27
Duration of the project: 2011.04.03-2019.06.30
Loan number: L2719-MON (SF)
Grant number: G0240-MON
Executing agency: Ministry of Road and Transport Development (MRTD)
Project address: Mongolia, Ulaanbaatar, Chingeltei district, juulchnii street, Max Tower building, # 1001
Phone: 911-70112254, 70112253, 88105700
Email: enkhbaatardem@yahoo.com
rldp.finance@gmail.com

Project objective:

To create favorable conditions for achieving the Millennium Development Goals and to improve the efficiency of transit transportation through the territory of Mongolia. To develop and operate an efficient, competitive, and reliable intermodal transport system in Zamyn-Uud.

Output:

- an operational multimodal logistics centre complete with facilities for road-to-road, road-to-rail, and rail-to-rail transshipment that is operational in Zamiin-Uud
- installed with terminal equipment and management system;;
- enhanced institutional capability for overseeing the operations of the facility including management contract administration;

Project financing, disbursement schedule:

The agreement between the Government of Mongolia and the Asian Development Bank was signed on 3 January 2011 to implement the Regional Logistics Center project. It will be financed 40,000.0 thousand USD which is equal to 25,358,000 SDR from Adb special fund, 5,000.0 thousand usd from grant financing fund and 26,639.1 thousand usd from Mongolian Government.

Expenditure category	L2719-MON		G0240-MON		Government	
	Amount	Percent age	Amount	Percent age	Amount	Percent age
Works	33,544,700.00	71%	671,600.00	1%	13,067,100.00	28%
Equipment	6,110,000.00	100%	-		-	
Unallocated	345,300.00	4%	-		8,610,200.00	96%
Project management, consulting service, environmental impact	-		4,328,400.00	100%	-	
License, taxation	-		-		3,595,300.00	100%
Implementation period taxation, fee	-		-		1,366,400.00	100%
TOTAL	40,000,000.00	56.0%	5,000,000.00	7.0%	26,639,000.00	37%

In order to fully utilize the grant financing balance an amount of 671,600 USD at the end of 2018, the procurement list of the necessary equipment at the Logistics Center, which is prepared together with Mongolian Railway, was presented to PSC and got the approval. Worked with ADB project officers to finance 5 km road construction in Zamiin-Uud soum of Dornogovi province by loan financing balance an amount 1,500,000 USD.

In order to resolve these issues, a request for renewal of the project over a one-year period was submitted by the PIU to the Ministry of Finance through the Ministry of Road and Transport Development on 2 November 2018. The Ministry of Finance submitted a letter No. 10-1/7174 requesting for a renewal to ADB on 19 November 2018, ADB approved to continue the project until 31 December of 2019 on 17 December 2018.

Project management:

The project executing agency is Ministry of Road and Transport Development and is responsible for the timely provision of stakeholders funding in the project, monitoring and evaluation of project activities, publicizing the project results, to get involve the investors and communities at all stages of project implementation, monitoring the quality of services of the partners and consultants, informing the consequences of project implementation, providing policy support and preparing project progress and financial reports and submit to ADB in a timely manner.

The Project Steering Committee will discuss major issues during the project implementation process and make relevant decisions, analyze project progress and to provide required guidance to PIU. The Project Steering Committee was reestablished by Order No. 138 of 6 July 2017 by the Minister of Road and Transport Development and some officials of the project were changed and appointed on 25 May 25 2018.

The PSC meeting was held 3 times in 2018 and resolved following issues:

1. Meeting held on 14 May 2018 about the construction of the logistics center, which should be connected to Zamyn-Uud, will be financed by project financing.
2. On the meeting held on 23 October 2018, it has been supported to get approval from MoF to change the contract of 4.3 km road construction of connecting the Logistics center with Zamiin-Uud, to organize the procurement of required machinery and equipments for the operator company of the Logistics center by reallocating the grant expenditure category.
3. At the meeting held on 19 December 2018, it has been approved an amended work list of the Logistics Center's construction work contract of the "China Railway 21th Group".

Project operation:

Loan financing:

- W1 China Railway 21th Group executed the civil works of the Zamiin-uud for Logistics center. The payment performance as at the end of 2018 is with 88.3 percent.

- W2 China Railway 21th Group was awarded the Computer-Based Interlocking (CBI) Railway Signaling and Communication contract of international competitive bidding and signed a contract in March 2018. The contract was completed successfully and it has been commissioned in December 2018.

Grant financing:

- ICS3 The assignment of Environmental and Social Development Monitoring Specialist was developed and it has been signed a contract with the selected contractor in September 2018.
- CS2 The joint venture of Soosung Engineering Co., Ltd, Republic of Korea, Geo Zuraglal LLC Mongolia and NBCC LLC, Mongolia has been awarded international competitive bidding of construction supervision contract. The consulting service is with 78.8 percent performance at the end of 2018.

Mongolian Government financing:

- Henan Dafang Heavy Machine Co., Ltd. was selected as a contractor of International competitive tender to supply, install, and test 2 Rail mounted gantry cranes of 50 tons. It has been commissioned in December 2018.

NOTE 2. ACCOUNTING POLICY

1	Statement of compliance	<p>Will prepare and submit following financial statements according to the International Public Sector Accounting Standards.</p> <ol style="list-style-type: none"> 1. Financial Position Statement 2. Financial Performance Statement 3. Cash flow statement 4. Changes in net asset/equity statement 5. Notes and explanations to the report <p>The following reports will be prepared and reported in compliance with the Loan Disbursement Handbook and the MON-2719 loan and MON-0240 grant agreements.</p> <ol style="list-style-type: none"> 6. Project Sources and uses of Funds Statement 7. Imprest account adjustment statement 8. Budget performance statement 9. Summary of expenditure statement
2	Basis of preparation	Project financial statements will be prepared on the accrual basis according to the IPSAS. Imprest account and statement of sources and uses of funds are prepared on the cash basis of accounting. Mongolian Government taxation fee financing contribution should be reported on the actual basis in the reporting year.
3	Reporting currency	Reporting currency is USD. Currency balance other than USD should be recorded at annual closing rate of Mongol Bank. MNT incurred transactions should be converted into USD. Transactions which have been made to replenish operating account should be recorded by transaction exchange rate until replenishment closing date.
4	Basis of presentation	Account balance is presented by cumulative amount from the period beginning 01 January 2018 to 31 December 2018 in Project financial statement. Financial statements indicators should be compared with the indicators of previous financial statements, except when preparing the financial statements for the first time.
5	Accounting policy changes	Previous years project accounting were prepared and reported on cash basis. The financial statements of the Project for the year ended 2018 have been reported on an accrual basis in accordance with the ADB's decision. Beginning balance is adjusted as per accounting changes from cash basis to accrual basis in accordance with IPSAS
6	Registration Information System	Accounting recorded and reported in Magic Choice financial software.
7	Property, plant and equipment depreciation	Determines the age of vehicles for 10 years, computer accessories and software for 3 years, furniture for 5 years and calculates depreciation costs using straight-line method
8	Imprest account	<p>In the opening, maintaining and closing cash advances accounts, it shall be adhered to the ADB's Loan Disbursement Handbook and the Government agree on a special arrangement with the Asian Development Bank. The ceiling amount of cash advance account deposit shall not exceed 10% of the loan amount.</p> <p>Minimum amount of application for withdrawal is 100,000 USD. Payments less than this amount will be paid from imprest account and will be claimed from ADB every 6 months as a refinancing.</p> <p>Imprest accounts of MON-2719 loan, MON-0240 grant financing opened in State bank. The initial advance of 128,900 USD received in imprest account.</p>

9	Goods, works procurement	<p>The Project will follow the Procurement Guidelines issued by the Asian Development Bank when procuring goods and works. The following methods will be followed when implementing the Goods and Works Procurement Plan:</p> <ol style="list-style-type: none"> 1. International Competitive Bidding for Goods \geq \$5,000,000. Prior review 2. National Competitive Bidding for Goods: \$100,000-\$499,999. Prior review 3. Shopping for Goods $<$ \$100,000. Post review 4. International Competitive Bidding for Works \geq \$1,000,000. Prior review 5. National Competitive Bidding for Works: \$100,000-\$999,999. Prior review 6. Shopping for Works $<$ \$100,000. Post review
10	Consultant procurement service	<p>The Project will follow the Consultant service procedures issued by the Asian Development Bank. The following methods will be followed when implementing the Consultant Service Procurement Plan:</p> <ol style="list-style-type: none"> 1. Quality- and Cost-Based Selection for Consulting firm $<$ \$100,000. Prior review 2. Individual Consultant Selection $>$ 100,000. Prior review.

NOTE 3. FINANCIAL STATEMENT INDICATORS (USD)

A. Cash and cash equivalents

Account		Bank	Balance 2017.12.31	Transaction		Balance 2018.12.31
Name	No.			Added	Deducted	
Imprest account	340003474304	State bank	38,327.94	150,472.39	133,468.30	55,332.03
Imprest account	340003474407	State bank	112.97	43.65	-	156.62
Sub-account	340003621304	State bank	1,113.82	-	-	1,113.82
Sub-account	340003628604	State bank	5,493.61	-	5,493.61	0.00
Sub-account	340003628700	State bank	23.08	-	23.08	0.00
Sub-account	100900028079	State treasury	-	138,980.87	130,593.17	8,387.70
Petty cash		MNT	0.15	14,853,344.13	14,853,344.13	0.15
Total			45,071.57	15,142,841.04	15,122,922.29	64,990.32

Since ADB did not finance the business trip expense of Ministry of Road and Transport Development staffs, it has been reported as receivable that should be claimed.

B. Receivable

DESCRIPTION	Previous year	Added	Deducted	Reporting year
Settlements with people	-	172.49	-	172.49
TOTAL		172.49	-	172.49

C. Inventory

DESCRIPTION	Stationery	Fuel, parts	Supply material	TOTAL
Beginning balance	-	-	31.46	31.46
Added	417.47	2,937.49	965.68	4,320.64
Procurement	417.47	2,937.49	965.68	4,320.64
Deducted	417.47	2,937.49	965.68	4,320.64
Disbursed	417.47	2,937.49	965.68	4,320.64
Ending balance	-	-	31.46	31.46

D. Property, plant and equipment

DESCRIPTION	Vehicle	Furniture	Computer	TOTAL
PLANT, PROPERTY AND EQUIPMENT COSTS				
Beginning balance	62,000.00	5,712.20	33,300.11	101,012.31
Added and deducted amendmnet of asset			-	-
Ending balance	62,000.00	5,712.20	33,300.11	101,012.31
Accumulated depreciation				
Beginning balance	21,183.33	3,309.85	33,300.11	57,793.29
Reporting period depreciation cost	6,200.00	571.23	-	6,771.23
Ending balance	27,383.33	3,881.08	33,300.11	64,564.52
Account net amount				
Balance as of 31 December 2017	40,816.67	2,402.35	-	43,219.02
Balance as of 31 December 2018	34,616.67	1,831.12	-	36,447.79

E. Unfinished construction

Expenditure category	L2719-MON	G0240-MON	GOVERNMENT	TOTAL
Construction work	29,652,820.80		8,005,780.74	37,658,601.54
Equipment	98,000.00	-	-	98,000.00
Consulting service		2,689,435.04	-	2,689,435.04
Taxation	-	-	1,207,363.64	1,207,363.64
TOTAL	29,750,820.80	2,689,435.04	9,213,144.38	41,653,397.27

F. Long-term liabilities

Loan financing	Cumulative as of 31 December 2017	Reporting year	Cumulative as of 31 December 2018
Direct payment	16,049,489.80	13,701,331.00	29,750,820.80
TOTAL	16,049,489.80	13,701,331.00	29,750,820.80

G. Accumulated gain

Description	Amount
Accumulated surplus of cash basis statement as of 31 December 2017	45,071.57
Adjustment:	
Added	26,629,732.15
Unfinished construction	26,528,688.38
Procured supply materials	31.46
Procured property, plant and equipment	101,012.31
Deducted	(16,108,753.58)
Loan financing	(16,049,489.80)
Government contribution	(1,470.49)
Property, plant and equipment accumulated depreciation	(57,793.29)
Accumulated surplus of accrued statement as of 31 December 2017	10,566,050.14

H. Grant financing

Grant financing	Cumulative as of 31 December 2017	Reporting year	Cumulative as of 31 December 2018
Advance payment	128,900.00		128,900.00
Replenishment	998,677.54	150,492.39	1,149,169.93
Direct payment	2,018,669.92	670,765.12	2,689,435.04
TOTAL	3,146,247.46	821,257.51	3,967,504.97

I. Government financing

Government financing	Cumulative as of 31 December 2017	Reporting year	Cumulative as of 31 December 2018
State budget financing	7,524,532.73	481,248.01	8,005,780.74
Tax exemption	935,995.92	271,367.71	1,207,363.63
Project management	1,470.49	-	1,470.49
TOTAL	8,461,999.14	752,615.72	9,214,614.86

State budget financing procurement performance

No	Works	Contractor	Contract amount	Disbursement
Construction work financing				
1	Road and Bridge construction work of Logistic center	Eaštēm rōād LLC	4,046,567.56	3,313,063.63
2	Fence construction work of Logistic center	VH&B LLC	652,997.13	599,074.52
3	Electric power supply line and substation construction work of Logistic center	Cathode Gal LLC	245,410.12	238,597.71
4	Water supply pipeline construction work of Logistic center	Khangiltsag LLC	370,047.58	358,967.07
5	External Internet and Telecommunication construction work of Logistic center	Lead link LLC	202,793.21	194,521.94
6	Voltage Power Supply Transmission Line and substation of Logistics Center of Logistic center	Baganuur Energy LLC	1,809,266.00	1,426,053.30
7	Supply, installation, testing of Rail mounted gantry cranes	Henan Dafang Heavy Machine Co., Ltd., Contract date: 12 May 2017	1,823,142.34	1,764,262.42
Consulting service financing				
1	Detailed environmental impact assessment of Logistic center	Monwecom LLC	31,502.34	30,777.84
2	Cost estimate unit rate analysis of detailed design	MCEA	35,828.48	32,787.72
3	Design works for External Power Supply of Logistic center	Bayasaltugs LLC	49,662.50	47,674.59
TOTAL			9,267,217.26	8,005,780.74

China Railway 21th Group, the executor of civil works of the Zamiin-uud for Logistics center, submitted a list of construction materials and equipments required for the construction work, the Soosung Engineering Co., Ltd and the PIU supervised the construction and submitted the tax exempt calculations to the Ministry of Road and Transport Development.

The Ministry of Road and Transport Development conveyed to the MoF and get decision according to the Article 9.1.13 of Use of the Government's external debt funds regulation approved by the Order No. 196 of the MoF.

Tax exemption	2017 year	2018 year	TOTAL
Customs tax	388,120.37	91,216.68	479,337.05
VAT	547,875.55	180,151.03	728,026.58
TOTAL	935,995.92	271,367.71	1,207,363.63

J. Operational costs

Expenditure	Previous year	Reporting year
Salaries and allowances	101,255.32	99,140.88
Postal cost	1,232.85	873.65
Fuel & parts	1,698.92	2,937.49
Rental fee	23,531.57	16,436.16
Supply material	1,270.52	417.47
Advertisement fee	293.39	332.08
Insurance, taxation	118.24	115.07
Business trip	3,730.78	3,307.38
Maintenance fee	870.88	965.68
Audit & assurance fee	3,294.89	4,091.49
Other expenditure	3,573.13	586.68
Bank charges	34.05	24.12
Property, plant and equipment depreciation expenditure	5,073.14	6,771.23
PROJECT EXPENDITURE	145,977.68	135,999.38

K. Other gain/ loss

Description	2017.12.31	Added	Deducted	2018.12.31
Currency exchange gain/loss	(863.31)	9.94	345.25	(1,198.62)
TOTAL	(863.31)	9.94	345.25	(1,198.62)

✓ The project expenditure was recorded and reported by Mongol bank rate at the transaction date. Withdrawal for Application statement that claimed from ADB on June 2019 was recorded by financing receipt date. We have adjusted the currency exchange difference loss an amount of 840.64\$.

NOTE 4. LOAN, GRANT USAGE (usd)

A. Financing:

Loan financing performance

Currency	Loan financing			Performance percentage
	Budget	Performance	Balance	
USD	40,000,000	29,750,820.80	10,249,179.20	74.4%

Grant financing performance *Тусламжийн санхүүжилтын гүйцэтгэл*

Currency	Grant financing			Performance percentage
	Budget	Performance	Balance	
USD	5,000,000	3,967,504.97	1,032,495.03	79.4%

B. Disbursement:

Loan disbursement performance

Expenditure category	Total budget	Total disbursement	Reporting		Performance percentage
			ADB approved disbursement	Unclaimed disbursement	
Works	33,544,700.00	29,652,820.80	29,652,820.80	-	88.4%
Equipment	6,110,000.00	98,000.00	98,000.00	-	1.6%
Unallocated	345,300.00	-	-	-	0.0%
TOTAL	40,000,000.00	29,750,820.80	29,750,820.80	-	74.4%

Grant disbursement performance

Expenditure category	Total budget	Total disbursement	Reporting		Performance percentage
			ADB approved disbursement	Unclaimed disbursement	
Consulting service	4,328,400	3,902,234.68	2,689,435.04	-	90.2%
Project management			1,149,169.93	63,629.71	
Works	671,600	-	-	-	0.0%
TOTAL	5,000,000.00	3,902,234.68	3,838,604.97	63,629.71	78.0%

C. Procurement:

There was amendment on procurement plan and it has been approved on 22 June 2018.

The opening of the logistics center was held on 15 October 2018. In December 2018, the logistics center building was handed over to the state commission.

Consulting service procurement planning performance

Package no.	Contract name	Consultant's name	BUDGET		CONTRACT		Note
			Cost	Period	Cost	Period	
CONSULTING SERVICE- NATIONAL INDIVIDUAL CONSULTANT							
ICS2	Environmental and Social Development Monitoring Specialist	E.Khasar	9,050.00	Q2 2018	9,050.00	2018.09.18	Consulting service agreement signed on 18 September 2018, consulting service payment paid on 13 March 2019
ICS3	Monitoring and Evaluation Specialist		9,050.00	Q2 2018	-	-	-
TOTAL			18,100.00		9,050.00		
CONSULTING SERVICE (FIRM)							
CS2	Construction Supervision	SOOSUNG ENGINEERING CO.,LTD	1,595,000.00	Q3 2015	1,355,540.00	2016.06.22	will be completed in 2019
TOTAL			1,595,000.00		1,355,540.00		
GRAND TOTAL			1,613,100.00		1,364,590.00		

Works procurement planning performance

Package no.	Works	Contractor	BUDGET		CONTRACT		Note
			Cost	Period	Cost	Period	
MON-2719 loan financing							
VW001	Civil works of the Logistics Centre	CHINA RAILWAY 21ST BUREAU GROUP CO.,LTD	37,600,000.00	Q2 2015	32,400,313.00	2015.12.02	Will be completed in 2018
VW002	Computer-Based Interlocking (CBI) Railway Signaling and Communication	CHINA RAILWAY 21ST BUREAU GROUP CO.,LTD	1,700,000.00	Q3 2017	1,457,426.00	2018.01.30	Will be completed in 2018
Mongolian Government financing							
D/171	Rail mounted gantry cranes 2 pcs	Henan Dafang Heavy Machine Co., Ltd., Contract date: 12 May 2017	1,857,271.00	Q4 2016	1,764,262.42	2017.5.12	Will be completed in 2018
TOTAL			41,157,271.00		35,622,001.42		