

# Audited Project Financial Statements

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Project Number: 44318-023  
Loan/Grant Number: 2775  
Period covered: 1 January 2014 to 31 December 2014

## UZB: Housing for Integrated Rural Development Investment Project – Tranche 1

Prepared by Ministry of Economy Project Implementation Unit

For the Asian Development Bank  
Date received by ADB: 14 August 2015

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 Economy of Uzbekistan.



**BAKER TILLY  
TASHKENT**

**ASIAN DEVELOPMENT BANK**

**HOUSING FOR INTEGRATED RURAL DEVELOPMENT**

**INVESTMENT PROGRAM – PROJECT 1**

**(ADB LOAN №2775-UZB)**

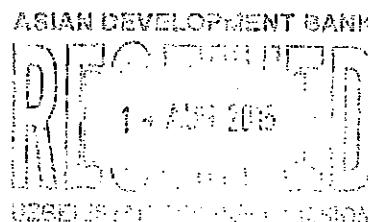
**PROJECT IMPLEMENTATION UNIT**

**UNDER THE MINISTRY OF ECONOMY**

**OF THE REPUBLIC OF UZBEKISTAN**

**SPECIAL-PURPOSE CASH BASIS FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2014**



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AO Baker Tilly Tashkent LLC is the company registered by the Ministry of Justice of Uzbekistan under registration number 379 dated July 15, 2013.

Baker Tilly Tashkent is an independent member of Baker Tilly International

## CONTENTS

Independent Auditor's Report .....	2
Special-Purpose Statement of Sources and Uses of Funds.....	4
Notes to the Special-Purpose Cash Basis Financial Statements .....	5



## BAKER TILLY TASHKENT

10A, Khamid Alimjan square  
100000, Tashkent  
Uzbekistan

T: (+99871) 150-15-12  
F: (+99871) 237-50-39

info@bakertillyuz.com  
www.bakertillyuz.com

### INDEPENDENT AUDITOR'S REPORT

*To the Management of the Project Implementation Unit of "Housing for Integrated Rural Development Investment Program – Project 1" under the Ministry of Economy of the Republic of Uzbekistan*

1. We have audited the accompanying Special-Purpose Cash Basis Financial Statements of Program Implementation Unit of "Housing for Integrated Rural Development Investment Program – Project 1" ("Project") for the year ended 31 December 2014, consisting of Special-Purpose Statements of Sources and Uses of Funds ("SSUF" and notes thereto) and the Statements of Expenditure ("SOE") financed by Asian Development Bank ("ADB"), Loan No. 2775-UZB (Tranche No. 1) dated 16 February 2012. The Special-Purpose Cash Basis Financial Statements and Statements of Expenditure have been prepared by the Management of Project Implementation Unit ("PIU") in accordance with the basis of accounting described in the following paragraph.

#### ***Management's Responsibility for the Special-Purpose Cash Basis Financial Statements***

2. The management is responsible for preparation and fair presentation of these financial statements in accordance with the International Public Sector Accounting Standards ("IPSAS") "Financial Reporting under the Cash Basis of Accounting" promulgated the International Federation of Accountants" ("IFAC") and for the internal control which shall be determined by the management as necessary for preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

3. Our responsibility lies in expressing our opinion on these Special-Purpose Cash Basis Financial Statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements, planning and performing audit to obtain reasonable assurance about whether the Special-Purpose Financial Statements are free of material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Special-Purpose Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Special-Purpose Cash Basis Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the Special-Purpose Cash Basis Financial Statements in order to design audit procedures that are



appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management of PIU, as well as evaluating the overall presentation of the Special-Purpose Cash Basis Financial Statements.

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

***Auditor's Opinion***

6. In our opinion, the aforementioned Special-Purpose Cash Basis Financial Statements for the year ended December 31, 2014 have, in all significant respects, been prepared in accordance with the International Public Sector Accounting Standards ("IPSAS") "The Special-Purpose Cash Basis Financial Statements", which was issued by the International Federation of Accountants ("IFAC").

In addition:

In our opinion, based on the work described in this report:

- a) The ADB funds have been used for the purposes for which funds were provided as set out in Article III (Section 3.02 and 3.05) of the Loan Agreement for the period from 1 January 2014 to 31 December 2014.
- b) PIU has complied with the Imprest Account procedures, i.e. that the Imprest Account gives a true and fair view of the receipts collected and payments made and supports Imprest Account liquidations and replenishments during the period from 1 January 2014 to 31 December 2014
- c) PIU has complied with Statement of Expenditure procedures, i.e. that supporting documentation has been maintained to support claims to the ADB for reimbursement of expenditures incurred and that the expenditure is eligible for financing under the Loan Agreement for the period from 1 January 2014 to 31 December 2014.

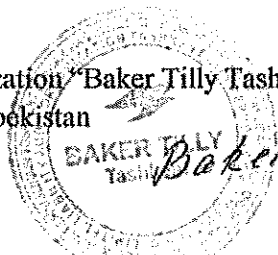
***Basis of Accounting***

7. Without modifying our opinion, we draw attention to Note 2 of the accompanying Special-Purpose Cash Basis Financial Statements, which describes the basis of accounting. The financial statements are prepared to assist the PIU in complying with the financial reporting provisions of the loan agreement described above. Accordingly, the accompanying Special-Purpose Cash Basis Financial Statements may not be suitable for another purpose.

***Restriction on Distribution and Use***

8. This report is intended solely for the Management of the PIU and ADB and should not be distributed to or used by parties other than the PIU and ADB.

Audit Organization "Baker Tilly Tashkent" LLC  
Tashkent, Uzbekistan  
July 29, 2015



*Baker Tilly Tashkent*

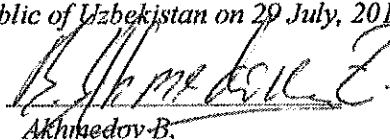
**Special-Purpose Cash Basis Financial Statements for the year ended December 31, 2014**

*Tabular amounts are presented in US Dollars*

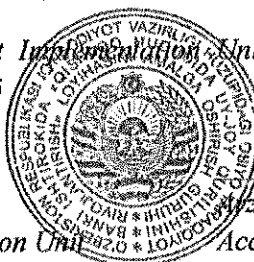
Financing	Budget*	Funds received		Available for distribution
		Current year	Cumulative	
<b>ADB funds</b>				
Initial Advance		-	40.000	
Replenishments		-	108.184	
<b>Total ADB funds</b>	<b>400.000</b>	<b>-</b>	<b>148.184</b>	<b>251.816</b>
<b>TOTAL FINANCING</b>	<b>400.000</b>	<b>-</b>	<b>148.184</b>	<b>251.816</b>

Expenditure by components	Budget*	Expenditure		Variance
		Current year	Cumulative	
A. Project Implementation, including:	114.200	-	94.500	19.700
A.i National consultants	100.600	-	83.040	17.560
A.ii Support staff	13.600	-	11.460	2.140
B. Technical and Financial Review	250.000	-	-	250.000
C. Audit	5.000	3.745	3.745	1.255
D. Operational Expenses	24.000	8	24.000	0
E. Contingency	6.800	-	-	6.800
<b>Total Expenditure:</b>	<b>400.000</b>	<b>3.753</b>	<b>122.245</b>	<b>277.755</b>
<b>FX loss</b>		<b>1</b>	<b>60</b>	
<b>TOTAL EXPENDITURE</b>	<b>400.000</b>	<b>3.754</b>	<b>122.305</b>	<b>277.695</b>
<b>TOTAL EXCESS OF FINANCING OVER EXPENDITURE</b>	<b>-</b>	<b>(3.754)</b>	<b>25.879</b>	

Signed on behalf of the Project Implementation Unit under the Ministry of Economy of Republic of Uzbekistan on 29 July, 2015

  
Akhmedov B.

Head of the Project Implementation Unit



  
N. Zikulov

Accountant/Financial specialist

\*Budget figures are shown for the Project-1 Tranche 1 of the ADB Loan No. 2775-UZB for capacity development and Project management support (Part 2)

Notes on pages 5 to 11 form an integral part of these Special-Purpose Cash Basis Financial Statements.

## 1. Background

The "Housing for Integrated Rural Development Investment Program – Project 1" Project ("Project") will be realized, in accordance with the Loan Agreement No. 2775-UZB dated 16 February 2012 between the Asian Development Bank ("ADB") and the Government of the Republic of Uzbekistan in the amount of USD 200 million. The objectives of the Project include further construction of modern individual housing based on approved typical design, utilities, and social infrastructure, improvement of the conditions of life and the creation of new jobs and livelihoods in rural areas.

The Project will be implemented by OJSCB "Qishloq Qurilish Bank" ("QQB") (for Part 1 of the Project) and the Ministry of Economy ("MOE") of the Borrower (for Part 2 of the Project)

Loan funds distribution:

1. The mortgage credit amount of USD 199.600.000
2. Consulting services, including project management support in the amount of USD 400.000

In the purpose of further realization of integrated construction of housing for rural development, the Presidential Decree ("PD") No.PP-1683 dated 11 January 2012 of the President of Republic of Uzbekistan was issued "On top-priority measures of Program implementation of multi-tranche financing of "Housing for Integrated Rural Development Investment Program" Project with participation of Asian Development Bank". The MOE is the Executing Agency which is responsible for the overall coordination of implementation of the "Housing for Integrated Rural Development Investment Program" project.

By the Decree of Cabinet of Ministers No. 62 dated 06 March 2012 of the Republic of Uzbekistan the Project Implementation Unit ("PIU") was established for the implementation of the "Housing for Integrated Rural Development Investment Program" project under the Ministry of Economy with participation of Asian Development Bank.

The PIU was established on 16 March 2012 and legally registered on 20 April 2012.

The address of PIU is 45A, Uzbekistan Avenue, Tashkent 100003, Republic of Uzbekistan.

MOE through PIU shall support the overall coordination of implementation of the Project, aimed at effectiveness of the loan proceeds, and also implementation of component of "Capacity development and project management support (Part 2)" of the Loan Agreement.

In order to achieve above said objectives the MOE (including the PIU) shall:

- Annually elaborate together with interested ministries and departments, activity network of realization appropriate tranches of the Project and present for approval to the Cabinet of Ministers of Uzbekistan;
- Gather and analyze the data received from ministries and departments responsible for some part of the Project;
- Control and monitor effectiveness of the Project implementation during the whole period of realization;
- Organize trainings of participants of the Project, i.e. employees of state and economical entities, state owned departments and other organizations;
- Participate in preparing the Withdrawal Applications for the Project in order to use ADB's Loan proceeds;
- Support forming appropriate applications on periodical financing for the Project on fixed procedures.

The overall objectives of the Investment Program are to improve housing for targeted beneficiaries in the rural communities through financing projects aimed to:

- (a) finance housing loans provided by participating commercial banks to targeted beneficiaries for their purchase of new residential housing under the Rural Housing Scheme;
- (b) improve capacity of local governments to prepare integrated rural development plans and investment promotion strategies; and
- (c) improve enabling environment for rural micro and small sized enterprises

As a part of the Investment Program the Project shall support

- (a) financing of housing loans provided by QQB to targeted beneficiaries for their purchase of new residential housing under the Rural Housing Scheme ("Part 1"); and
- (b) capacity development local governments, MOE, QQB, and related bodies improvement of enabling environment for rural micro and small sized enterprises and project management support ("Part 2").

The revised Allocation and Withdrawal of Loan Proceeds for the PIU's capacity development and project management support (Part 2) are as follows:

Category			ADB financing	
No	Item	Total amount allocated for ADB financing	Cumulative withdrawn from loan account	Outstanding balance as of 31.12.2014
2	Consulting Service (including PIU professional staff)	350.000	83.040	266.960
3	Project Management (including PIU supporting staff, equipment, office furniture, office supplies, and operations and maintenance of PIU equipment and vehicles, audit)	50.000	39.205	10.795
	<b>Total:</b>	<b>400.000</b>	<b>122.245</b>	<b>277.755</b>

The Project's commencement date of its operations is 20 April 2012. Project implementation period is defined for four years (2012 – 2015).

## 2. Basis of presentation

These Special-Purpose Cash Basis Financial Statements have been prepared in accordance with the International Public Sector Accounting Standard ("IPSAS") "Financial Reporting under the Cash Basis of Accounting" promulgated by the International Federation of Accountants ("IFAC") as required in the "Handbook for Borrowers on the Financial Management and Analysis of Projects financed by the Asian Development Bank", issued by the ADB in 2006.



### 3. Summary of Significant Accounting Policies

Accounting of PIU under the project is conducted in accordance with the applicable laws of the Republic of Uzbekistan.

Considering the specific implementation of the Program, the preparation of SOE is performed on a cash basis, which require that cash receipts shall be effective when received and expenditures of funds shall be effective when they are paid rather than when incurred. The accounting system is computerized and carried out using the Excel sheets.

In the accounting the following articles are used:

- accounting the actual costs;
- accounting of cash;
- accounting of cash transactions;
- accounting of fixed assets;
- accounting of stocks;
- accounting of remuneration;
- settlements with debtors and creditors;
- reporting .

Project Financial Management is carried out by the following main points:

1. Analysis of the performance costs;
2. Analysis of cash expenses and transfer expenses;
3. Analysis of financial condition;
4. Analysis of budget execution.

An analytical account of the sums received by a Project of funding is separate form the breakdown of the total amount financed by groups of expenditure.

At the end of each quarter are counted up all the items of expenditure for the quarter and total year to-date, to identify the remainder.

#### ***Reporting currency and translation.***

The reporting currency of the Project's Special-Purpose Cash Basis Financial Statements is US Dollar. Financing is made in US Dollars. Payment of the Project's expenses has been made in Uzbek Soums ("UZS"). The Project has UZS accounts which are used to receive UZS funds and pay for expenses in UZS. The translation of the currencies into the currency of the Report is made at the exchange rate of the Central Bank of Uzbekistan ("CBU") on the date of conversion.

The assets and all liabilities paid for in UZS were translated into USD using the following principles:

- Monetary assets and all liabilities denominated in UZS have been translated to USD using the official exchange rate of Central Bank of Uzbekistan ("CBU") on the date of conversion.
- All income/expenditure earned/incurred in UZS , denominated into USD were recorded as an official exchange rate of Central Bank of Uzbekistan ("CBU") on the date of conversion;

#### ***Imprest and current bank accounts in Uzbekistan***

The Ministry of Economy has a USD Imprest Account. ADB Loan proceeds are received in the MOE's USD Imprest Account. The foreign currency on the USD Imprest Account is converted into UZS and transferred into UZS Current Account of PIU.

The funds are maintained at the Central Bank of Uzbekistan ("CBU") and the Tashkent Regional Branch Operational Department of State Commercial People-Bank. Accounting and reporting on the imprest accounts are carried out by financial specialists of PIU and controlled by the Ministry of Economy of Republic of Uzbekistan.

The USD Imprest Account is used to cover the ADB's share of eligible expenditures in both local and foreign currencies. The eligible expenditures are reported to the ADB through Statements of Expenditure. The USD Imprest Account is replenished by the ADB on the basis of Special Account Reconciliation Statement, prepared by the PIU.

The UZS Current Account was opened to convert the funds received from Imprest Account of ADB Loan, and to pay to local suppliers and withdraw cash.

The outstanding balances of the above accounts as of 31 December 2014 are disclosed in Note 5.

#### 4. Taxation

The PIU, being the state non-commercial organization, is registered as a legal entity and acts on the basis of Chapter. The PIU is exempted from taxes and levies in line with the Code of the Republic of Uzbekistan. However, PIU is not exempted from taxes and contribution related to the Pension Fund from payroll.

#### 5. Imprest and other bank accounts of the Project

The PIU had the following bank accounts as of 31 December 2014:

Source of funds	Currency	Note	Name of account	Amount
ADB Loan account	USD	6	Imprest Account	25.879
UZS Current Account	UZS	7	Current Account	0
<b>Total:</b>				<b>25.879</b>

#### 6. USD Imprest Account Statement

Account No.	21506840200101021002	
Depository Bank	Central Bank of Republic of Uzbekistan	
Account Holder	Ministry of Economy of Republic of Uzbekistan	
Location	6, Uzbekistan Avenue, 100001 Tashkent, Uzbekistan	
Related Loan No.	2775-UZB	
Currency	US Dollars (USD)	
	USD	
Balance as at 01 January 2014	Note	29.633
<b>Add:</b>		
Replenishments made by ADB		-
<b>Deduct :</b>		
Transfer to PIU's UZS Current Account	7	3.754
Balance as at 31December 2014		25.879

## 7. UZS Current Account Statement

Account No.	20210000004969887001
Depository Bank	Tashkent Regional Branch Operational
Account Holder	Department of State Commercial People-Bank
Location	PIU
Related Loan No.	46, Katartal Street, Tashkent, Uzbekistan
Currency	2775-UZB
	UZS

		UZS	USD
Balance as at 01 January 2014	Note	570	0,26
<b>Add:</b>			
Transfer to PIU's UZS Current Account	6	8.649.982	3.754,00
<b>Deduct:</b>			
C. Audit	9	8.630.458	3.745
D. Operational Expenses	9	20.093	8
Exchange difference			1
Balance as at 31 December 2014		0	0

## 8. Statement of Estimate Expenditure – ADB Loan No. 2775 - UZB

W/A number	Eligible Estimate Expenditure	Reimbursed from Imprest Account
No Withdrawal Applications	-	-
<b>Total :</b>	-	-

## Reconciliation of financing made through Imprest Account - ADB Loan No. 2775 - UZB

	Current Account	Cumulative
Advances	-	40.000
Expenditures per SOE	-	108.184
Less: Expenditures per SOE not reimbursed by the ADB as at 31 December 2014	-	-
<b>Total financing made through Imprest Account</b>	-	<b>148.184</b>

## 9. Operational Expenses of PIU

Sources of Funds	Category	UZS	USD
ADB	C. Audit	8.630.458	3.745
	D. Operational expenses (Bank charges)	20.093	8
<b>Total:</b>		<b>8.650.551</b>	<b>3.753</b>

## 10. Fixed Assets of PIU

Fixed assets recorded are accounted by PIU at acquisition cost, less accumulated depreciation and impairment reserve. Fixed assets' depreciation is calculated using straight-line depreciation method. By this method depreciation is charged uniformly in equal installments on the basis of amortized cost of fixed assets over the life of their use.

Expenses, made to maintain an object in operation and to obtain initially a certain amount of future economic benefits from its use, are included in the expenses of the reporting period to which they relate. At each reporting date, if necessary, PIU may evaluate the fixed assets for indications of impairment.

The depreciation charge is calculated starting from the first day of the month next to the month of accepting an asset into accounting as a fixed asset, and is made until full repayment of the amortized cost of the object or write-off of this object from the balance.

### Depreciation Norms:

Vehicles and computers – 20%;

Furniture and office equipment – 15%;

During the reporting period, no fixed assets were acquired through Tranche 1 financing. No disposals of fixed assets were carried out.

The fixed assets of the Project are represented as office furniture, vehicles and office equipment:

Items	Vehicles	Computers	Furniture	Office equipment	TOTAL
<b>Initial cost</b>					
as at 01.01.2014	21.947	8.282	4.976	1.808	37.013
Additions	-	-	-	-	-
Disposals					
as at 31.12.2014	21.947	8.282	4.976	1.808	37.013
<b>Accumulated depreciation</b>					
as at 01.01.2014	-21.947	-2.070	-870	-339	-25.226
Accruals for the year		-1.656	-746	-271	-2.674
as at 31.12.2014	-21.947	-3.726	-1.616	-610	-27.900
<b>Net book value</b>					
as at 01.01.2014	0	6.212	4.106	1.469	11.787
as at 31.12.2014	0	4.556	3.360	1.198	9.113

## **11. Subsequent events**

Withdrawal Application No. B0006 dated 03 March, 2015 has been submitted to ADB for direct payment from Imprest Loan Account as 15% prepayment in the amount of 36,498,15 USD under contract No. HIRD/CQS/01 dated 13 November 2014 concluded with CPCS Transcom Limited for consulting, technical and financial performance reviews and three rural studies.