

Audited Project Financial Statements

Project Number: 44318-025

Loan/Grant Number: 3039

Period covered: 1 January 2017 to 31 May 2017

UZB: Housing for Integrated Rural Development Investment Program

Prepared by National Bank for Foreign Economic Activity of the Republic of Uzbekistan

For the Asian Development Bank

Date received by ADB: 12 July 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 Ministry of Economy of Uzbekistan



**NATIONAL BANK FOR FOREIGN ECONOMIC
ACTIVITY OF THE REPUBLIC OF UZBEKISTAN**

**HOUSING FOR INTEGRATED RURAL
DEVELOPMENT INVESTMENT PROGRAM
ADB LOAN № 3039-UZB**

**INDEPENDENT AUDITOR'S REPORT
AND SPECIAL FINANCIAL STATEMENTS
FOR THE PERIOD FROM
01 JANUARY 2017 TO 31 MAY 2017**

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INDEPENDENT AUDITOR'S REPORT

**To the Shareholder and Board of Directors of National Bank
for Foreign Economic Activity of the Republic of Uzbekistan**

Opinion

We have audited the special financial statements (hereinafter - financial statements) of the National Bank for Foreign Economic Activity of the Republic of Uzbekistan (hereinafter - the Bank), the «Housing for Integrated Rural Development Investment Program» financed by the Asian Development Bank (hereinafter - ADB) under Loan Agreement № 3039-UZB dated 11 October, 2013 between ADB and the Republic of Uzbekistan. The financial statements include: Statement of utilization of funds and Notes to the special financial statements for the period from 01 January 2017 to 31 May 2017 including a summary of significant accounting policies.

The financial statements were prepared by the management of the Project Implementation Unit (hereinafter PIU) of the Bank on a cash basis of accounting, in accordance with the International Public Sector Accounting Standards (hereinafter referred to as IPSAS) issued by the International Public Sector Accounting Standards Board of the International Federation of Accountants.

In our opinion, in all material respects:

- (i) The attached special financial statements present fairly the sources and uses of the Project funds as of and for the period from 01 January 2017 to 31 May 2017, in accordance with the terms of the Financing Agreement and IPSAS.
- (ii) The imprest account gives fair view of the receipts collected and payments made during the reporting period and these receipts and payments support the imprest account liquidations/replenishments during the period from 01 January 2017 to 31 May 2017.
- (iii) With respect to Statement of Expenditure, adequate supporting documentation has been maintained to support claims to the ADB for reimbursements of expenditure incurred; and which expenditure are eligible for financing under Loan Agreement No.3039-UZB.



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Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities in accordance with these standards are described further in the section "Auditor's responsibility for the audit of financial statements" of our opinion. We are independent of the Project in accordance with the ethical requirements applicable to our audit of financial statements in the Republic of Uzbekistan, and we have fulfilled other ethical duties in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Basis of accounting and restriction on use

We draw attention to Note 2 to the special purpose financial statements, which describes the basis of accounting. The special financial statements are prepared to assist the Bank in complying with the financial reporting provisions of the loan agreement referred to above. As a result, these special purpose financial statements may not be suitable for another purpose. Our report is intended solely for the Bank and Asian Development Bank and should not be used by parties other than the Bank or Asian Development Bank. Our opinion is not modified in respect of this matter.

Other matter

The audit of special financial statements for the year ended 31 December 2016 was conducted by another auditor and unmodified opinion was issued on 27 September 2017.

Responsibility of the Management and Those Charged for Corporate Governance, the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IPSAS: "Financial reporting on the cash basis of accounting" and for the internal control system that management considers necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the project's ability to continue with the project, disclosing, where applicable, issues related to ongoing activities and the use of the basis for accounting, unless management intends to complete or terminate the Project or not have a realistic alternative for doing so.

The persons responsible for the management are responsible for overseeing the preparation of the financial statements of the Project.

Auditor's Responsibility for the Audit of Financial Statements

Our objective is to obtain reasonable assurance that the financial statements are free from material misstatement, whether due to fraud or error, and in the issuance of an audit report that contains our opinion. Reasonable confidence is a high degree of certainty, but it is not a guarantee that an audit conducted in accordance with International Standards on Auditing always reveals significant distortions if they exist. Distortions can be the result of unfair acts or mistakes and are considered significant if one can reasonably assume that individually or collectively they can affect the economic decisions of users made on the basis of these financial statements.

As part of an audit conducted in accordance with International Standards on Auditing, we apply professional judgment to retain professional skepticism throughout the audit. In addition, we perform the following:



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- identify and assess the risks of material misstatement of financial statements due to fraud or error; develop and conduct audit procedures in response to these risks; we obtain audit evidence that is sufficient and appropriate to serve as a basis for expressing our opinion. The risk of non-detection of material as a result of unfair acts is higher than the risk of not detecting a significant distortion as a result of an error, since unfair acts may include conspiracy, fraud, intentional omission, misrepresentation of information or actions bypassing the internal control system;
- get an understanding of the internal control system that is relevant to the audit, in order to develop audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control system;
- assess the proper nature of the accounting policies applied and the reasonableness of accounting estimates and the corresponding disclosure of information prepared by management;
- make a conclusion about the legitimacy of management's use of the assumption of business continuity, and on the basis of the obtained audit evidence - the conclusion whether there is a significant uncertainty in connection with events or conditions that may raise significant doubts in the ability of the Bank to continue its business continuously. If we conclude that there is significant uncertainty, we must draw attention to our disclosure in the financial statements, or, if such disclosure is inappropriate, modify our opinion. Our conclusions are based on the audit evidence received before the date of our audit report. However, future events or conditions may lead to the Bank losing the ability to continue its business continuously;
- assess the presentation of the financial statements in general, its structure and content, including disclosure of information, as well as whether the financial statements present the underlying operations and events in a manner that ensures their reliable representation;
- obtain sufficient appropriate audit evidence relating to the financial information of the organization or activities within the Bank in order to express an opinion on the financial statements. We are responsible for the management, control and conduct of the Bank's audit. We remain fully responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Shoodil Nosirov
Partner

19 September 2019
Tashkent, Uzbekistan



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STATEMENT OF UTILIZATION OF FUNDS

For the period from 01 January 2017 to 31 May 2017

	For the period	Cumulative total
Opening Funds Balance	-	
Add: Sources		
Receipts from ADB through the Ministry of Finance	-	81 524 254
Total Cash Available	-	81 524 254
Less: Utilization of funds		
Loans issued to sub-borrowers	-	81 524 254
Total funds utilized	-	81 524 254
Closing Funds Balance	-	-

Signed and authorized for release on behalf of the Management Board of the Bank on 05 July 2019.

Chairman of the Board
K. Mirsomayev

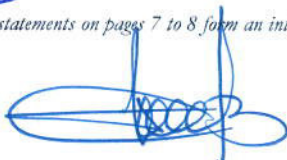



Chief Accountant

B.B. Imomov



Notes to the financial statements on pages 7 to 8 form an integral part of these special financial statements.


NOTES TO FINANCIAL STATEMENTS

1. Background, nature of operations and activities

On 11 October 2013, the Asian Development Bank (hereinafter "the ADB") and the Republic of Uzbekistan signed the Loan Agreement for financing the Housing for Integrated Rural Development Investment Program ("the HIRD") in the Republic of Uzbekistan for the total amount of USD 200 million.

The HIRD is a 5-year multisector program to achieve more inclusive growth through improved rural living conditions and livelihood opportunities. The Program comprises a series of financial intermediation loans to help provide housing loans for new modern rural housing to targeted beneficiaries: moderate- and lower income households, young families, single-headed households, and rural teachers and health workers (two occupations in which women predominate).

The ADB provided a loan facility to the Ministry of Finance of the Republic of Uzbekistan ("the MoF") to re-lend to the National Bank for Foreign Economic Activity of the Republic of Uzbekistan ("the Bank") to finance the HIRD for 2013-2014 yy. in total amount of USD 35.736 thousand. The full amount was relented by the MoF to the Bank in Uzbek Soums.

Project activity during the period

During the period from 01 January 2017 to 31 May 2017 the Bank had no activities related to this tranche.

2. Significant accounting policies and basis of preparation

The special financial statements have been prepared in accordance with the cash receipts and disbursements basis of accounting. Accordingly, they are prepared for the special purposes of the project management and the ADB in accordance with the financial reporting provisions set out in Article IV, Section 4.06 of the Loan Agreement signed between the Republic of Uzbekistan and the ADB on 11 October 2013. The accounting policies have been applied consistently throughout the year from 1 January 2017 to 31 May 2017.

Reporting period

The special financial statements apply to the period from 01 January 2017 to 31 May 2017.

Reporting entity

The special financial statements solely reflect the financial status and position of the ADB funds provided for financing of the Housing for Integrated Rural Development Investment Program being implemented by the Ministry of Economy of the Republic of Uzbekistan.

Reporting currency

The reporting currency of the special purpose financial statements is Uzbek Soum (UZS). All financial transactions of the Bank related to the HIRD are denominated in UZS. The Bank received a loan from the Ministry of Finance in UZS and all sub-loans issued are denominated in UZS. The amount in UZS is directly transferred from the Ministry of Finance to the account of the Bank.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Liquidations and Replenishments

After eligible expenditures are incurred and paid from the Imprest Account, the Bank requests liquidation and replenishment of the Imprest Account by submitting a Withdrawal Application and Statement of Expenditures (SOE). Advances paid from the Imprest Account to sub-accounts are not considered to be incurred, and such amounts are still subject to liquidation by project expenditures actually incurred.

Cash and Cash Equivalents

Opening and closing positions within the Statement of Utilization of Funds represent cash and cash equivalents. Cash and cash equivalents represent the balance remaining on the Imprest Account held with the Bank.

3. Expenditures made from ADB funds

During the period from 1 January 2014 to 31 December 2014 and from 24 October 2013 to 31 December 2013, the Bank issued 3 217,00 sub-loans under the HIRD program of which 1 984,00 sub-loans were issued using the ADB funds for the total amount of UZS 81 524,25 thousand. As of 31 December 2014, ADB liquidated funds in amount of USD 28 833,11 under Statement of Expenditure ("SOE") procedures.

SOE for the period from 1 January 2014 to 31 December 2014 with regards to the Loan Agreement do not reflect actual amounts charged from Imprest Account which explains the difference between amounts reported in SOEs and actual cash movements represented in the Statement of Utilization of Funds.

