

Audited Project Financial Statements

Project Number: 44458-013
Loan/Grant Number: 3025/3026
Period covered: 21 January 2014 to 31 December 2015

UZB: Amu Bukhara Irrigation System Rehabilitation Project

Prepared by Ministry of Agriculture and Water Resources, Republic of Uzbekistan

For the Asian Development Bank
Date received by ADB: 21 June 2016

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ASIAN DEVELOPMENT BANK

“AMU-BUKHARA IRRIGATION SYSTEM REHABILITATION PROJECT”

PROJECT MANAGEMENT OFFICE

MINISTRY OF AGRICULTURE AND WATER RESOURCES OF THE REPUBLIC OF UZBEKISTAN
(EXECUTING AGENCY)

ADB LOAN #3025-UZB, ADB LOAN #3026- UZB (SF)

SPECIAL-PURPOSE CASH BASIS FINANCIAL STATEMENTS AND STATEMENTS OF EXPENDITURE FOR
THE PERIOD FROM 21 JANUARY 2014 (COMMENCEMENT OF OPERATIONS) TO 31 DECEMBER 2015

AMU-BUKHARA IRRIGATION SYSTEM REHABILITATION PROJECT

TABLE OF CONTENT

	Page
STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE SPECIAL-PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015	3
INDEPENDENT AUDITORS' REPORT	4
PROJECT SPECIAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015:	
Special-Purpose Statement of Cash Receipts and Payments	6
Special-Purpose Statement of Financial Position	7
Special-Purpose Statement of Uses of Funds	8
Notes to Special-Purpose Financial Statements	10-24

AMU-BUKHARA IRRIGATION SYSTEM REHABILITATION PROJECT

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE SPECIAL PURPOSE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2015

The Management of the Amu-Bukhara Irrigation System Rehabilitation Project (hereinafter - the "Project") is responsible for the preparation of the Special Purpose Financial Statements of the Project funded by the Asian Development Bank (hereafter -the "ADB") that present fairly the financial position of the Project as of 31 December 2015, and the funds received, and expenditures incurred for the year ended 31 December 2015, in compliance with International Public Sector Accounting Standards "Financial Reporting under the Cash Basis of Accounting" ("IPSAS-Cash Basis").

In preparing the Special Purpose Financial Statements, the management of the Project is responsible for:

- Selecting suitable accounting policies and applying them consistently;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable, and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IPSAS-Cash Basis are insufficient to enable users to understand the impact of particular transactions, other events, and conditions on the Project's Special Purpose Financial Statements; and
- Making an assessment of the Project's ability to continue as a going concern.

The Management of the Project is also responsible for:


- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Project;
- Maintaining adequate accounting records that are sufficient to show and explain the Project's transactions and disclose with reasonable accuracy at any time the fund balance of the Project, and which enable them to ensure that the Special Purpose Financial Statements of the Project comply with specific requirements in IPSAS-Cash Basis;
- Maintaining statutory accounting records in compliance with legislation of the Republic of Uzbekistan;
- Taking such steps as are reasonably available to them to safeguard the assets of the Project; and
- Preventing and detecting fraud and other irregularities.

The Special Purpose Financial Statements of the Project for the year ended 31 December 2015 were authorized for issue by the Project's Management on 27 May 2016.

On behalf of the Project's Management:


Shavkat Batirov
Acting PIU Manager




Doniyor Quldoshov
Chief Accountant

INDEPENDENT AUDITOR'S REPORT

To the Management of the Project Management Office under the Ministry of Agriculture and Water Resources of the Republic of Uzbekistan

- 1 We have audited the accompanying Special-Purpose Cash Basis Financial Statements ("the Financial Statements") for the period from 21 January 2014 (commencement of operations) to 31 December 2015 of the Project Management Office of "Amu-Bukhara Irrigation System Rehabilitation Project" (the "Project") financed by the Asian Development Bank ("ADB"), Loan #3025-UZB, Loan #3026-UZB (SF) dated 21 November 2013, and contributions received from the Government of the Republic of Uzbekistan which comprise the Special-purpose statement of cash receipts and payments for the year ended 31 December 2015, Statement of financial position and summary a significant accounting policies and other explanatory notes thereto. The Special-Purpose Cash Basis Financial Statements have been prepared by the Management of the Project Management Office ("PMO") in accordance with the International Public Sector Accounting Standards "Financial Reporting under the Cash Basis of Accounting" ("IPSAS-Cash Basis").

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

- 2 Management of the Project is responsible for the preparation and fair presentation of these Financial Statements in accordance with the cash receipts and disbursements basis of accounting described in IPSAS-Cash Basis promulgated by the International Federation of Accountants ("IFAC"), and for such internal control as management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

- 3 Our responsibility is to express an opinion on these Financial Statements and the Statement of Expenditure based on our audit. We conducted our audit in line with International Standards on Auditing ("ISA"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free from material misstatement.
- 4 An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Project's preparation and fair presentation of the 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 Project's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, made by the Management of the Project, as well as evaluating the overall presentation of the 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 and appended notes that were also the subject of the audit, true and fairly present in all material respects the financial position of the Project as at December 31, 2015 and the results of its operations for the year ended December 31, 2015 in conformity with IPSAS-Cash Basis and complies with the all conditions of the Loan Agreements;

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(B) the Project has utilized all proceeds of the loan withdrawn from ADB only for purposes of the Project as agreed between the ADB and Republic of Uzbekistan in accordance with the Loan Agreements; and no proceeds of the Loans have been utilized for other purposes; and
(C) the Project was in compliance as at December 31, 2015 of audit with all financial covenants of the Loans Agreements.

In addition:

(i) (a) With respect to the Statement of Expenditure, adequate supporting documentation has been maintained to support claims to the ADB for reimbursements of expenditure incurred; and (b) which expenditures are eligible for financing under Loan Agreements No.3025-UZB and No.3026-UZB (SF);
(ii) (a) The Imprest Account (page 14) gives a true and fair view of the receipts collected and payments made during the period from January 21, 2014 to December 31, 2015; and (b) these receipts and payments support the Imprest Account liquidations/replenishments during the year ended December 31, 2015.

Basis of Accounting

- 7 Without modifying our opinion, we draw attention to Note 2 of the accompanying Financial Statements, which describes the basis of accounting. The Financial Statements are prepared to assist the Project in complying with the financial reporting provisions of the ADB as the funding agency. Accordingly, the accompanying Financial Statements may not be suitable for another purpose.

Restriction on Use

- 8 This report is intended solely for use by the Management of the Project in communication with the ADB and should not be distributed or used by anyone other than these specified parties. In addition, this report is not intended for the benefit of any other third parties, and we accept no responsibility or liability to any other party other than those mentioned above in respect of the report. Should any third party take decisions based on the contents of the report, the responsibility for such decisions shall remain with those parties.

PKF MAK ALYANS

27 May 2016
Tashkent, Uzbekistan



AMU-BUKHARA IRRIGATION SYSTEM REHABILITATION PROJECT
PROJECT MANAGEMENT OFFICE

Special-Purpose Financial Statements under IPSAS-Cash Basis for the year ended 31 December 2015

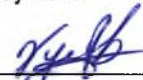
Tabular amounts are presented in US Dollars

SPECIAL-PURPOSE STATEMENT OF CASH RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

	31 December 2015		31 December 2014		2015	
	Budget	Actual	Budget	Actual	Variance Amount	Variance %
Opening Funds Balances		98 179		-		
FUNDS RECEIVED						
Direct Payments		-		-		
Advance Payment		13 750 000		-		
Replenishments		-		-		
Total ADB Loan No.3025-UZB	42 749 000	13 750 000	46 000 000	-		
Direct Payments		1 119 476		-		
Initial Advance Payment		-		235 900		
Replenishments		79 858		-		
Total ADB Loan No.3026-UZB (SF)	174 000 000	1 199 334	174 000 000	235 900		
Uzbek Government co-financing		30 839		13 622		
Tax & Customs benefits		-		-		
Total Uzbek Government Contributions	64 456 900	30 839	64 456 900	13 622		
Tender Proceeds		10 973		-		
Other receipts		-		-		
Total Other Sources		10 973		-		
TOTAL FUNDS RECEIVED	281 205 900	14 991 146	284 456 900	249 522		
EXPENDITURE INCURRED						
1. Turnkey:	144 320 000	-	144 320 000	-	144 320 000	100
1A. New Amu-Bukhara 1 Pump Station	92 040 00	-	92 040 00	-	92 040 000	100
1B. Kizil Tepa Pump Station	52 280 000	-	52 280 000	-	52 280 000	100
2. Works	5 040 000	-	5 040 000	-	5 040 000	100
3. Unallocated	10 890 000	-	10 890 000	-	10 890 000	100
4. Work Claims in Agricultural Sector	13 750 000	13 750 000	13 750 000	-	-	-
Total Expenditure ADB Loan No.3025-UZB	174 000 000	13 750 000	174 000 000	-	160 250 000	92.10%
1. Turnkey – Kuyu Mazar Pump Station	25 909 700	-	25 909 700	-	25 909 700	100
2. Works	319 400	-	319 400	-	319 400	100
3. Equipment	4 120 400	9 629	4 120 400	-	4 110 771	99.77
4. Consulting Services	6 420 700	1 119 476	6 420 700	-	5 301 224	82.56
5. Project Management & Monitoring	1 360 300	148 880	1 360 300	137 719	1 073 668	78.93
6. Unallocated	4 618 500	-	7 869 500	-	4 618 500	100
Total Expenditure ADB Loan No.3026-UZB	42 749 000	1 277 985	46 000 000	137 719	41 333 296	96.69%
1. Project Management (including SSP)	257 900	30 839	257 900	13 615	213 446	82.76
2. Financing during investment period	16 531 400	-	16 531 400	-	16 531 400	100
3. Tax & Customs benefits	45 997 600	-	45 997 600	-	45 997 600	100
4. Cost of existing fixed assets	1 670 000	-	1 670 000	-	1 670 000	-
Total Expenditure by Uzbek Government	64 456 900	30 839	64 456 900	13 615	64 412 446	99.93%
Other expenditure		-		-		
Total Other Expenditure		-		-		
FX Exchange Loss		102		10		
TOTAL EXPENDITURE INCURRED	281 205 900	15 058 926	284 456 900	151 344	265 995 742	94.59%
Closing Funds Balances		30 398		98 179		

Signed on behalf of the Project's Management on 27 May 2016


 Shavkat Batirov
 Acting PIU Manager


 Doniyor Quldoshov
 Chief Accountant

Notes on pages 9 to 23 form an integral part of the Special-Purpose Cash Basis Financial Statements.

"AMU-BUKHARA IRRIGATION SYSTEM REHABILITATION PROJECT"
PROJECT MANAGEMENT OFFICE

Special-Purpose Financial Statements under IPSAS-Cash Basis for the year ended 31 December 2015

Tabular amounts are presented in US Dollars

SPECIAL-PURPOSE STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

Items	Note	Periods	
		31.12.2015	31.12.2014
ASSETS			
Current assets			
Cash and cash equivalents		30 398	98 179
Advances to suppliers		-	414
Total current assets		30 398	98 593
Non-current assets			
Property, plant and equipment (net)		69 196	78 972
Total non-current assets		69 196	78 972
TOTAL ASSETS		99 594	177 846
LIABILITIES AND EQUITY/FINANCING			
Liabilities			
Accounts payable		58 037	-
Salary payable		4 283	5 289
Other liabilities		12	446
Total liabilities		62 332	5 735
Equity/Financing			
Financing from ADB		1 435 234	235 900
Other financing		55 434	13 622
Less: Cumulative expenditures, net		(1 453 406)	(77 691)
Total Equity/Financing		37 262	171 831
TOTAL LIABILITIES AND EQUITY/FINANCING		99 594	177 565

Signed on behalf of the Project's Management on 27 May 2016


Shavkat Batirov
Acting PIU Manager




Doniyor Quldoshov
Chief Accountant

AMU-BUKHARA IRRIGATION SYSTEM REHABILITATION PROJECT
PROJECT MANAGEMENT OFFICE

Special-Purpose Financial Statements under IPSAS-Cash Basis for the year ended 31 December 2015

Tabular amounts are presented in US Dollars

SPECIAL-PURPOSE STATEMENT OF USES OF FUNDS BY PROJECT CATEGORIES FOR THE YEAR ENDED 31 DECEMBER 2015
(ADB LOAN #3025 –UZB)


Category	Actual		Budget	Cumulative balance
	2015	Cumulative		
Category 1A: Construction of Amu-Bukhara 1 Pump Station				
Civil works	-	-	59 223 500	59 223 500
Equipment	-	-	32 816 500	32 816 500
Total	-	-	92 040 000	92 040 000
Category 1B: Rehabilitation of Kizil Tepa Pump Station				
Civil works	-	-	5 479 200	5 479 200
Equipment	-	-	46 800 800	46 800 800
Total	-	-	52 280 000	52 280 000
Category 2: Works	-	-		
Total	-	-	5 040 000	5 040 000
Category 3: Unallocated	-	-		
Total	-	-	10 890 000	10 890 000
Category 4: Construction works in Agricultural sector	13 750 000	13 750 000	13 750 000	-
Total	13 750 000	13 750 000	13 750 000	-
TOTAL ADB EXPENDITURE	13 750 000	13 750 000	174 000 000	160 250 000

SPECIAL-PURPOSE STATEMENT OF USES OF FUNDS BY PROJECT CATEGORIES FOR THE YEAR ENDED 31 DECEMBER 2015
(ADB LOAN #3026 –UZB (SF))

Category	Actual		Budget*	Cumulative balance
	2015	Cumulative		
Category 1: Rehabilitation of Kuyu-Mazar Pump Station				
Civil works	-	-	5 724 600	5 724 600
Equipment	-	-	20 185 100	20 185 100
Total	-	-	25 909 700	25 909 700
Category 2: Works				
Total	-	-	319 400	319 400
Category 3: Equipment				
Total	-	-	319 400	319 400
Category 3: Equipment				
Total	9 629	9 629	4 120 400	4 110 771
Category 4: Consulting services				
Total	9 629	9 629	4 120 400	4 110 771
Category 4: Consulting services				
Total	1 119 476	1 119 476	6 420 700	5 301 224
Category 5: Project Management and Monitoring				
Total	1 119 476	1 119 476	6 420 700	5 301 224
Category 5: Project Management and Monitoring				
Total	148 880	286 599	1 360 300	1 073 701
Category 6: Unallocated				
Total	148 880	286 599	1 360 300	1 073 701
Category 6: Unallocated				
Total	-	-	4 618 500	4 618 500
Category 6: Unallocated				
Total	-	-	4 618 500	4 618 500
TOTAL ADB EXPENDITURE				
	1 277 985	1 415 704	42 749 000	41 333 296

(*) –The budget figures are fixed in equivalent of USD based on SDR rate on the date of a new President's Decree No.2396 dated 25 August 2015. Therefore, the available funds for distribution for future expenditure might be different due to SDR rate changes.


Shavkat Batirov
Acting PIU Manager


Doniyor Qulidoshov
Chief Accountant

**AMU-BUKHARA IRRIGATION SYSTEM REHABILITATION PROJECT
PROJECT MANAGEMENT OFFICE**

Special-Purpose Financial Statements under IPSAS-Cash Basis for the year ended 31 December 2015

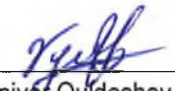
Tabular amounts are presented in US Dollars

**SPECIAL-PURPOSE STATEMENT OF USES OF FUNDS BY PROJECT CATEGORIES FOR THE YEAR ENDED 31 DECEMBER 2015
(UZBEK GOVERNMENT CONTRIBUTIONS)**

Category	Actual		Budget	Cumulative balance
	2015	Cumulative		
Category: Project Management				
Single Social Payments (SSP)	30 839	42 539	257 900	215 361
Total	30 839	42 539	257 900	215 361
Category: Tax and Customs benefits				
	-	-	45 997 600	45 997 600
Total	-	-	45 997 600	45 997 600
Category: Financing during investment period				
	-	1 922	16 531 400	16 529 478
Total		1 922	16 531 400	16 529 478
Category: Cost of existing fixed assets				
	-	-	1 670 000	1 670 000
Total	-	-	1 670 000	1 670 000
TOTAL EXPENSES FROM UZBEK GOVERNMENT FUNDS	30 839	44 461	64 456 900	64 412 439


Shavkat Batirov
Acting PIU Manager




Doniyor Quldoshov
Chief Accountant

1 PROGRAM MANAGEMENT OFFICE AND ITS OPERATION

The two ADB Loans No.3025-UZB and No.3026-UZB (SF) for the project were approved on 25 September 2013 and declared effective on 21 January 2014. The project initially was estimated to cost US \$380.00 million and is implemented over 7 years, starting early in 2014. ADB would provide a blend of two loans: one from the ordinary capital resources (OCR) of US \$174.0 million, and the other from the Special Fund (SF) resources (the Asian Development Fund [ADF]) of SDR 30.535 million (US \$46.0 million equivalent). The estimated project physical completion date is February 2020 and the loan closing date is 31 August 2020.

The government would finance taxes and duties, including value-added tax and customs duties in the form of exemption; financing charges during implementation; all of which are estimated in the amount of US \$64.46 million.

Further by the President's Decree (PD) No. 2396 dated 25 August 2015, some of the expenditure categories of the Project were adjusted.

The government has also requested parallel financing from the Japan International Cooperation Agency (JICA) of up to about US \$109 million to finance the modernization and rehabilitation (M&R) of Amu-Bukhara -II and Kizil-Tepa -I auxiliary pump stations (PSs) and the cost of consulting services to administer and monitor this M&R at these PSs. The financing and administration of these activities would be fully carried out by JICA in accordance with its relevant policies, procedures and guidelines.

	By PD No.2156 dd. 28.03.2014	By PD No.2396 dd. 25.08.2015	Periods
ADB Loan No.3025-UZB	174,000,000	174,000,000	25 years / 7 grace period
ADB Loan No.3026-UZB (SF) in USD equivalent	46,000,000	42,749,000	25 years / 5 grace period
Uzbek Government	64,456,900	80,564,000	For the period 2014-2020
Japan International Cooperation Agency (JICA)	-	108,973,600	30 years /10 grace period
Total	284,456,900	406,286,600	

The main objective of the Project would address irrigated agriculture and water resources management issues in Amu - Bukhara Irrigation System (ABIS) in Bukhara and Navoi Provinces. The impact of the project is sustained economic and social welfare in communities dependent upon ABIS. The expected outcome is a sustainable and reliable water supply in the ABIS command area.

The Project outputs to achieve the Project outcome and impact comprise:

Output 1: One new PS built and four existing Pump Stations (PS) modernized and rehabilitated. This includes (i) the replacement of Amu-Bukhara I PS and its auxiliary PS with a new Amu-Bukhara I PS, and (ii) M&R of the Kuyu Mazar, Amu-Bukhara II, and Kizil Tepa and its auxiliary PSs. The benefits would be (i) reduced energy consumption, (ii) sustained and reliable water supply without operational and system failures, and (iii) a reduction of greenhouse gas emissions by 23%.

Output 2: Conveyance efficiency in the ABIS main canal increased. This would be achieved by (i) the M&R of 22 key regulatory and/or diversion structures, and (ii) installation of water measurement gauges and wireless radio communication systems along the ABIS main canal in Uzbekistan. The M&R of these structures and the modernized irrigation system management would reduce inefficient water discharge from the main canal.

Output 3: The capacity of Basin irrigation system administration (BISA), Irrigation system administrations (ISAs), water consumers' associations (WCAs), and farmers to adapt to climate change increased. This output would be delivered through (i) M&R of inter- and on-farm canals and regulation structures in three selected areas; (ii) introduction of climate-adaptive agronomic practices, cropping patterns, and water-saving irrigation technologies in demonstration farms in three selected areas; (iii) the development of a modernized, climate-adaptive water operation and management plan to increase water productivity based on a detailed water balance assessment, and (iv) capacity development of the BISA, three ISAs, and three WCAs in Bukhara Province. These measures will also support the government strategy to diversify crops and ensure food security in the project area.

Output 4: Project and ABIS managed efficiently. The activities for achieving this output would comprise project management, institutional, and operational support. The project management support will include (i) implementation of safeguards requirements, and (ii) project supervision, procurement, and financial management. The project would also strengthen institutional and human capacity, ABIS operations, and management in Amu Bukhara Irrigation System Authority (ABISA). A modernized plan would be adopted so that energy and water are used efficiently in the operation and management of PSs and main canals. Capacity building would also be provided for the ABISA to integrate greenhouse gas monitoring-reporting-verification systems. To augment O&M financing, the commercialization of carbon credits would be pursued through the Clean Development Mechanism or other mechanisms.

In addition, drainage channels at inter-farm and on-farm levels that are in poor condition would be rehabilitated by the Uzbek Government Amelioration Fund and the ongoing ADB-financed Land Improvement Project to reduce soil salinity in the ABIS command area.

The Ministry of Agriculture and Water Resources (MAWR) of Uzbekistan is the executing Agency for the Project which is responsible for planning, organization, supervision, control and monitoring of the Project.

In line with the MAWR for operational management of the Project, Project Management Office (PMO) was established in the form of state non-profit enterprise. Also under PMO the Project Implementation Units (PIU) were established in the city of Bukhara which are responsible for implementation of the Project at local level. The PIU are the structural part of the PMO. The loan is administered by ADB.

The purpose of establishment of PMO and PIU is to execute tasks, related to implementation of the Project, including the coordination of all Project's components including monitoring and evaluation of results of execution in the Project's regions.

The estimated Project's physical completion date is February 2020 and the Loans closing date is 31 August 2020.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These Special-Purpose 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 "Handbook for Borrowers on the Financial Management and Analysis of Projects financed by the Asian Development Bank", issued by the ADB. Those standards 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 financial statements prepared under the cash basis provide readers with information about the sources of cash raised during the period, the purpose for which cash was used and the cash balances at the reporting date. The measurement focus in the financial statements is balances of cash and changes therein.

The Project's Special- Purpose Cash Basis Financial Statements are prepared on the basis of cash receipts and disbursements which are a comprehensive basis of accounting.

Cash and cash equivalents

Cash and cash equivalents are recognized at cost and include cash at cash desk, cash at current and other special accounts at domestic banks and cash in transit.

During FY 2015 and 2014 the funds disbursed by the ADB to the Project comprised USD 79 858 and USD 235 900 respectively.

Project expenditures

The Project's Special-Purpose Cash Basis Financial Statements are prepared based upon the accounting records of the PMO, which are maintained in both USD and UZS. The initial accounting records consist of summaries of disbursement documents and other payment vouchers.

Accounting of PMO under the Project is conducted in accordance with the applicable laws of the Republic of Uzbekistan with the specific implementation of the Project, including applying cash method.

The policy management programs also include preparation of detailed Statement of Expenditure (SOE) on a cash basis in accordance with International Accounting Standards for the Public Sector. The accounting is carried out manually using the Excel sheets.

In accounting, the following articles are used:

- Taking into account 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.

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

- 1) Analysis of the performance costs;
- 2) Analysis of cash expenses and for transfers;
- 3) Analysis of financial condition;
- 4) An analysis of budget execution.

An analytical account of the sums received by the Project of funding is separate from the breakdown of the total amount financed by categories of expenditure.

At the end of each month / quarter are counted up all the items of expenditure for the quarter and total year to-date, in order to identify the remainder and in a similar way to keep records of cash expenditures for transfers.

Reporting currency and translation methodology

The reporting currency of the Project's Special –Purpose Cash Basis Financial Statements is US Dollars and majority of the financing and expenditure of the Project were made in US Dollars. However, the Project also has Uzbek Soums ("UZS") Imprest (Special) Accounts, which are used to receive UZS funds and pay for expenses in UZS for the Project's management.

The assets' additions and expenditure paid for in UZS were translated into USD using the following principles of transaction:

- Monetary assets denominated in UZS have been translated to USD using the official rate of exchange of the 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 CBU, effective at the date of receipt or payment of the funds;
- Gain/Loss resulting from the transaction of UZS / USD: Cash & cash equivalents outstanding as at reporting date are translated into USD at the official rate of the CBU effective at the reporting date.

The official exchange rate set by the CBU and effective, as at 31 December 2015 was UZS 2,809.98 to USD 1 (2014: UZS 2,422.40 to USD 1).

The Uzbek Government funds

The Government funds of Uzbekistan represent in-kind and cash contributions by the Government.

Contributions are provided as capital investments and tax and customs benefits as follows:

- Cost of civil works;
- Financing charges during implementation period;
- Single social payment and other expenditure;
- Taxes and duties exemption on goods, works, services and transport vehicle of the PMO and its contractors procured under ADB loan and the Government's Fund during implementation period (except customs duties).

Bank Accounts of the Project

During the period from 21 January 2014 to 31 December 2015, the PMO held in Uzbekistan bank USD Special/imprest Account for ADB Loan, UZS Current Account and other accounts at named JSCB "AGROBANK".

The PMO operates a Special/Imprest Account in accordance with the provisions laid down in the Loan Agreement.

The USD Special/Imprest Account represents revolving funds provided from the ADB Loan proceeds to facilitate prompt disbursement of funds. The funds are maintained at JSCB "AGROBANK". The USD Special/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 Statement of Expenditures ("SOE"). The USD Special/Imprest Account is replenished by the ADB on the basis of Special Account Reconciliation Statement, prepared by the PMO for validation of USD Special Accounts and SOE's.

The UZS Current Account was opened to convert the funds received on USD Special/Imprest Account for Loan from ADB and for payments to suppliers and withdrawal of cash.

The UZS Budget Account is used for payments of Single Social Payments/contributions under the eligible categories of expenditure for payment of salary to the staff of the Project. The account is held with the Treasury of the Ministry of Finance of the Republic of Uzbekistan.

The outstanding balances of the above accounts as of 31 December 2015 are disclosed in Note 5.

Taxation

The PMO, being the state non-commercial organization, acting on a basis of Charter, is exempted from taxes and levies in line with the Tax Code of the Republic of Uzbekistan.

Also the Decree of the President of the Republic of Uzbekistan #PP-2156 dated 28 March 2014 (and also amended Decree of the President of the Republic of Uzbekistan #PP-2396 dated 25 August 2015), state that the goods, works and services purchased with the ADB funds within the framework of the Project, are exempted from customs payments, VAT, mandatory contributions to the state funds-in-trust. The same policy is applied with respect to goods, works and services purchased with the Government Funds. Such exemption is considered as a contribution of the Uzbek Government toward the implementation of the Project.

3 SUBSEQUENT EVENTS

If any_ please indicate.

4 APPROVAL OF SPECIAL-PURPOSE FINANCIAL STATEMENTS

The Special-purpose financial statements were approved by the Management for issue on ____ May 2016.

5 Statements of Cash Balances of the Project

5.1. The PMO has the following Cash Balances as at 31 December 2015 at JSCB "AGROBANK":

Source of funds	Currency	Note	Name of account	Amount in USD
ADB Loan Account	USD	6.1	Imprest Account	19 442
UZS Current Account	UZS	7.1	Current Account	30
USD Tender Account	USD	8.1	Tender Account	3 070
UZS Tender Account	UZS	9.1	Tender Account	7 856
USD Secondary Account	USD	10.1	Secondary Account	-
Corporate card No.1	UZS	11.1	Corporate card	-
Corporate card No.2	UZS	11.2	Corporate card	-
Treasury Account	UZS	12.1	Budget Account	-
Total				30 398

5.2. The PMO has the following Cash Balances as at 31 December 2014 at JSCB "AGROBANK":

Source of funds	Currency	Note	Name of account	Amount in USD
ADB Loan Account	USD	6.2	Imprest Account	96 249
UZS Current Account	UZS	7.2	Current Account	1 926
USD Tender Account	USD	8.2	Tender Account	3
UZS Tender Account	UZS	9.2	Tender Account	-
USD Secondary Account	USD	10.2	Secondary Account	-
Treasury Account	UZS	12.2	Budget Account	-
Total				98 178

6 Statements of USD Imprest Account

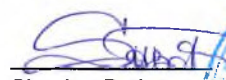
Account No.: 20210840500302140003
Depository Bank: Joint Stock Commercial Bank "AGROBANK"
Address: 43, Mukumiy Street, Tashkent 100096
Related Loan No.: 3025/3026 (SF) - UZB (ADB)
Currency: US Dollars (USD)

6.1 Statement of USD Imprest Account as at 31 December 2015

	USD
Balance as at 01 January 2015	96 249
Add:	
ADB Replenishment (Loan 3026)	79 858
Deduct:	
Transfer to UZS Current Account (Conversion)	(156 665)
Balance as at 31 December 2015	19 442

6.2 Statement of USD Imprest Account as at 31 December 2014

	USD
Balance as at 21 January 2014	-
Add:	
Initial Advance Payment (Loan 3026)	235 900
Deduct:	
Transfer into UZS Current Account (Conversion)	(139 651)
Balance as at 31 December 2014	96 249


Shavkat Batirov
Acting PIU Manager




Doniyor Qildoshov
Chief Accountant

7 Statements of UZS Current Account

Account No.: 20210000900302140001
 Depositary Bank: Joint Stock Commercial Bank "AGROBANK"
 Address: 43, Mukumiy Street, Tashkent 100096
 Related Loan No.: 3025/3026 (SF) - UZB (ADB)
 Currency: Uzbek Soums (UZS)

7.1. Statement of UZS Current Account as at 31 December 2015

	UZS	USD Equivalent
Balance as at 01 January 2015	4 665 361	1 926
Add:		
Transfer from USD Imprest Account (Loan 3026)	405 079 499	156 665
Return of incorrect salary paid amount	50 000	21
Return of incorrect paid amount	34 540	12
Deduct:		
Financing of PMO eligible expenditure	(409 746 367)	(158 542)
Net FX rate difference	-	(52)
Balance as at 31 December 2015	83 033	30

7.2. Statement of UZS Current Account as at 31 December 2014

	UZS	USD Equivalent
Balance as at 21 January 2014	-	-
Add:		
Transfer from USD Imprest Account (Loan 3026)	327 069 717	139 651
Transfer from UZS Tender account (Bank charge)	31 570	13
Return of incorrect salary paid amount	868 026	364
Deduct:		
Financing of PMO eligible expenditure	(323 303 952)	(138 096)
FX Exchange Loss	-	(7)
Balance as at 31 December 2014	4 665 361	1 926

8 Statement of USD Tender Account

Account No.: 20210840900302140005
Depository Bank: Joint Stock Commercial Bank "AGROBANK"
Address: 43, Mukumiy Street, Tashkent 100096
Related Loan No.: 3025/3026 (SF) - UZB (ADB)
Currency: US Dollars (USD)

8.1 Statement of USD Tender Account as at 31 December 2015

	USD
Balance as at 01 January 2015	-
Add:	
Proceed from sale of tender documents	3 070
Deduct:	
	(0.00)
Balance as at 31 December 2015	3 070

8.2 Statement of USD Tender Account as at 31 December 2014

	USD
Balance as at 21 January 2014	-
Add:	
No movements during the year	0.00
Deduct:	
	(0.00)
Balance as at 31 December 2014	-

9 Statements of UZS Tender Account

Account No.: 20210000200302140002
 Depositary Bank: Joint Stock Commercial Bank "AGROBANK"
 Address: 43, Mukumiy Street, Tashkent 100096
 Related Loan No.: 3025/3026 (SF) - UZB (ADB)
 Currency: Uzbek Soums (UZS)

9.1. Statement of UZS Tender Account as at 31 December 2015

	UZS	USD Equivalent
Balance as at 01 January 2015	8 430	3
Add:		
Proceeds from sale of tender documents	22 067 154	7 903
Deduct:		
No expenditure made	-	-
FX Exchange loss	-	(50)
Balance as at 31 December 2015	22 075 584	7 856

9.2. Statement of UZS Tender Account as at 31 December 2014

	UZS	USD Equivalent
Balance as at 21 January 2014	-	-
Add:		
Transfer from Treasury Account	4 550 000	1 922
Deduct:		
Payment to Republican Road Fund (3% Vehicle expense)	(4 510 000)	(1 902)
Reimbursement into UZS Current Account (Bank charge)	(31 570)	(13)
FX Exchange loss	-	(4)
Balance as at 31 December 2014	8 430	3

10 Statements of USD Secondary Account

Account No.: 20210840700302140004
Depository Bank: Joint Stock Commercial Bank "AGROBANK"
Address: 43, Mukumiy Street, Tashkent 100096
Related Loan No.: 3025/3026 (SF) - UZB (ADB)
Currency: US Dollars (USD)

10.1. Statement of USD Secondary Account as at 31 December 2015

	USD
Balance as at 01 January 2015	-
Add:	
No movements during the year	0.00
Deduct:	
	(0.00)
Balance as at 31 December 2015	-

10.1. Statement of USD Secondary Account as at 31 December 2014

	USD
Balance as at 21 January 2014	-
Add:	
No movements during the year	0.00
Deduct:	
	(0.00)
Balance as at 31 December 2014	-

11 Statements of Corporate Cards

Account No.: 8600 0432 3203 7504 (Card No.1)
Account No.: 8600 0432 5760 1531 (Card No.2)
Depository Bank: Joint Stock Commercial Bank "Agrobank"
Address: 43, Mukumiy Street, Tashkent 100096
Related Loan No.: 3025/3026 (SF) - UZB (ADB)
Currency: Uzbek Soums (UZS)

11.1. Statement of Corporate Debit Card No1 as at 31 December 2015 (Bukhara city)

	UZS	USD Equivalent
Balance as at 01 January 2015	-	-
Add:		
Transfers from UZS Current Account	3 134 200	1 207.31
Deduct:		
Petrol expenses	3 133 529	(1 207.07)
Balance as at 31 December 2015	671	0.24

11.2. Statement of Corporate Debit Card No.2 as at 31 December 2015 (Bukhara city)

	UZS	USD Equivalent
Balance as at 01 January 2015	-	-
Add:		
Transfers from UZS Current Account	2 553 400	978.09
Deduct:		
Petrol expenses	2 550 168	(976.94)
Balance as at 31 December 2015	3 232	1.15

Note: The Project's both Corporate Debit Cards were opened in FY 2015 only. Two Corporate debit cards were used for petrol expenses for two vehicles separately in Bukhara city.

12 Statements of Treasury Account

Account No.: 23402000300100001010
Depositary Bank: Treasury of the Ministry of Finance of the Republic of Uzbekistan
Address: 5, Mustaqillik Square, Treasury Management, Tashkent, Uzbekistan
Related Loan No.: 3025/3026 (SF) - UZB (ADB)
Currency: Uzbek Soums (UZS)

12.1. Statement of Treasury Account as at 31 December 2015

	UZS	USD Equivalent
Balance as at 01 January 2015	-	-
Add:		
Replenishments	79 834 234	30 839
Deduct:		
Single Social Payments (25% Salary related contributions)	(79 834 234)	(30 839)
Balance as at 31 December 2015	-	-

12.2. Statement of Treasury Account as at 31 December 2014

	UZS	USD Equivalent
Balance as at 21 January 2014	-	-
Add:		
Replenishments	27 744 452	11 700
Deduct:		
Single Social Payments (25% Salary related contributions)	(27 744 452)	(11 700)
Balance as at 31 December 2014	-	-

AMU-BUKHARA IRRIGATION SYSTEM REHABILITATION PROJECT
PROJECT MANAGEMENT OFFICE

Notes to Special-Purpose Financial Statements under IPSAS Cash Basis for the year ended 31 December 2015

Tabular amounts are presented in US Dollars

13 PMO Property Purchased with ADB Loan

Item	Motor Vehicle	Computers	Office furniture & Equipment	Other	TOTAL
Cost as at 21/01/2014	-	-	-	-	-
Acquisition					
PMO	37 041	15 455	-	-	52 496
PIU	26 895	6 837	-	-	33 732
Depreciation for the period					
PMO	(3 102)	(1 545)	-	-	(4 647)
PIU	(2 253)	(684)	-	-	(2 937)
Net book value as at 31/12/2014	58 581	20 063	-	-	78 644
Cost as at 01/01/2015	58 581	20 063	-	-	78 644
Acquisition					
PMO	-	-	1 237	-	1 237
PIU	-	-	7 310	-	7 310
Depreciation for the period					
PMO	(7 446)	(3 091)	(162)	-	(10 699)
PIU	(5 407)	(1 367)	(522)	-	(7 296)
Net book value as at 31/12/2015	45 728	15 605	7 863	-	69 196

AMU-BUKHARA IRRIGATION SYSTEM REHABILITATION PROJECT
PROJECT MANAGEMENT OFFICE

Notes to Special-Purpose Financial Statements under IPSAS Cash Basis for the year ended 31 December 2015
Tabular amounts are presented in US Dollars

STATEMENT OF EXPENSES (INCLUDING RECONCILIATION) FOR THE YEAR ENDED 31 DECEMBER 2015

14 STATEMENT OF EXPENDITURE – LOAN ADB No.3026-UZB (SF)

W/A number	Category 3	Category 4	Category 5	Total Expenditure	Liquidated from Imprest account
00002*	-	-	165 258.21	165 258.21	165 258.21
00007	-	-	86 438.09	86 438.09	86 438.09
00009	9 628.56	-	34 935.63	44 564.19	-
00010	46 500	-	-	46 500.00	-
Total	56 128.56	-	286 631.93	342 760.49	251 696.30

(*) – Total amount of expenditure of WA 00002 equaled to USD 165 258.21 including of FY 2014 expenses of USD 137 718.68.

Reconciliation of financing made through Special Account – ADB Loan No.3026-UZB (SF)

FY 2014-2015

Expenditure per SOE

Less: Expenditure per SOE liquidated by ADB for the period from 30.06.2014 to 08.10.2015	251 696.30
Less: Expenditure per SOE not liquidated/reimbursed by ADB as at 31.12.2015	91 064.19
Less: Intermediary bank commissions held	-

Total financing made through Imprest Account	342,760.49
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AMU-BUKHARA IRRIGATION SYSTEM REHABILITATION PROJECT
PROJECT MANAGEMENT OFFICE

Notes to Special-Purpose Financial Statements under IPSAS Cash Basis for the year ended 31 December 2015
Tabular amounts are presented in US Dollars

15 Direct Payments – ADB Loan #3025 –UZB

W/A number	Year	Expenditure Category			Total
		01 (Turnkey)	02 (Works)	04 (Works Claims in AS)	
00001	2015	-	-	13,750,000	13,750,000
TOTAL		-	-	13,750,000	13,750,000

16 Direct Payments – ADB Loan #3026 – UZB (SF)

W/A number	Year	Expenditure Category			Total
		1 (Turnkey)	2 (Works)	4 (Consulting services)	
00003	2015	-	-	831,037.95	831,037.95
00004	2015	-	-	57,825.93	57,825.93
00005	2015	-	-	60,475.85	60,475.85
00006	2015	-	-	54,680.17	54,680.17
00008	2015	-	-	115,456.43	115,456.43
TOTAL		-	-	1,119,476.33	1,119,476.33