

Audited Project Financial Statements

Project Number: 45366-004

Loan Number: 3067

Period covered: 1 January 2018 to 31 December 2018

UZB: Solid Waste Management Improvement Project

Prepared by BDO LLC (Tajikistan)

For the Asian Development Bank

Date received by ADB: 28 August 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 State Unitary Enterprise "Maxsustrans".

**STATE UNITARY ENTERPRISE
“MAXSUSTRANS”**

Special Purpose Financial Statements and
Independent Auditor’s Report of the
Project “Solid Waste Management
Improvement Project”

For the period from 1 January 2018 to 31
December 2018

CONTENTS

| | |
|---|-------|
| | Pages |
| Independent Auditor’s Report | |
| Statement of management’s responsibilities for the preparation and approval of Special Purpose Financial Statements..... | 5 |
| Special Purpose Financial Statements: | |
| Statement of Financial Position..... | 6 |
| Statement of Source of Funds..... | 7 |
| Statement of Expenditures | 8 |
| Statement of Compliance with Financial Covenants..... | 10 |
| Statement of Imprest Account - USD currency | 11 |
| Statement of Imprest Account - UZS currency..... | 12 |
| Notes to the Special Purpose Financial Statements..... | 13-21 |

INDEPENDENT AUDITOR'S REPORT

To the Asian Development Bank and Management of State Unitary Enterprise "MAXSUSTRANS"

Opinion

We have audited the accompanying Special Purpose Financial Statements of the Project "Solid Waste Management Improvement Project" (hereinafter "Project") implemented by State Unitary Enterprise "MAXSUSTRANS" through State Enterprise "Project Implementation Unit of the Solid Waste Management Improvement" (hereinafter "PIU") which comprise the Statement of Financial Position as at 31 December 2018, Statement of Sources of funds, Statement of Expenditures, Statement of Compliance to Financial Covenants and Statement of Imprest Accounts and other explanatory notes (hereinafter collectively referred as the "Project Financial Statements") for the period from 1 January 2018 to 31 December 2018 financed by the Asian Development Bank (hereinafter "ADB") and the Government of Uzbekistan under Loan Agreement No. 3067-UZB dated 27 February 2014 (hereinafter "Loan Agreement").

In our opinion,

1. accompanying project financial statements present fairly, in all material respect, the cash flows for the year ended 31 December 2018 in accordance with International Public Sector Accounting Standard: Financial Reporting Under the Cash Basis of Accounting, (IPSAS-Cash Basis);
2. funds have been used in accordance with the condition of the Loan Agreement concluded between the Asian Development Bank and the Government of Uzbekistan, and ADB related guidelines with due attention to economy and efficiency, and only for the purposes for which the financing was provided;
3. supporting documents, records and accounts have been maintained to support claims for reimbursement of expenditures incurred. Expenditures included in the withdrawal applications and either paid directly or reimbursed against are eligible for financing under the Loan Agreement.
4. the Imprest Accounts used have been maintained in accordance with the provision of the Loan Agreement, and ADB related guidelines.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Project Financial Statements* section of our report. We are independent of the PIU in accordance with the ethical requirements that are relevant to our audit of the Project Financial Statements in Uzbekistan, and we have fulfilled our other ethical responsibilities 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 Matters

Slow progress of Project implementation - We draw your attention to Note 8 of the Project Financial Statements disclosing that though the initial and extended Project's closing date, only 31% of cash-basis completion of the Project (net of "Tax and other fees" line) is completed as at 31 December 2018 as well as measures taken by the management of the PIU.

Financial and non-financial covenants - We draw your attention to Statement of Compliance with Financial Covenants for the year ended 31 December 2018, which describe the financial covenants to be followed by the SUE "MAXSUSTRANS" and status of compliance each of them as at 31 December 2018.

Restatement of Project Financial Statements as at 31 December 2017 - We draw your attention to Note 10 of the Project Financial Statements which describes the circumstances that lead to change cumulative figures as at 31 December 2017.

Cash basis of accounting - We draw your attention to Note 2.1 to these project financial statements, which describe the basis of accounting. The statement is prepared to assist the SUE and PIU in complying with the requirements of Loan Agreement for the preparation of the project financial statements. As a result, the project financial statements may not be suitable for another purpose. Our report is intended solely for ADB, SUE "MAXSUSTRANS" and PIU and should not be distributed or used by other parties.

Our opinion is not modified in respect of this matter.

Other matters

The project financial statements for the year ended 31 December 2017 were audited by another audit firm who expressed "Unmodified opinion" on those financial statements on 10 April 2018.

Responsibilities of Management and those Charged with Governance for the Project Financial Statements

Management is responsible for the preparation and fair presentation of the project financial statements in accordance with IPSAS-Cash Basis issued by the International Public Sector Accounting Standards Board (IPSASB) of the IFAC and ADB guidelines and for such internal control as Management determines is necessary to enable the preparation of Project Financial Statements that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the PIU's financial reporting process.


Auditor's Responsibilities for the Audit of the Project Financial Statements

Our objectives are to obtain reasonable assurance about whether the Project 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 Project Financial Statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Project Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit 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 PIU's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- Evaluate the overall presentation, structure and content of the project financial statements, including the disclosures, and whether the project financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance 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.



Bakhtiyor Rustamov
Audit Partner

Republic of Tajikistan, Dushanbe



STATE ENTERPRISE “PROJECT IMPLEMENTATION UNIT OF THE SOLID WASTE MANAGEMENT IMPROVEMENT”

STATEMENT OF MANAGEMENT’S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE PROJECT FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 JANUARY 2018 TO 31 DECEMBER 2018

The following statement, which should be read in conjunction with the independent auditors’ responsibilities stated in the independent auditor’s report, is made with a view to distinguishing the respective responsibilities of management and those of the independent auditors in relation to the project financial statements of “Solid Waste Management Improvement” Project including the Statement of Financial Position as at 31 December 2018, Statement of Sources of funds, Statement of Expenditures, Statement of Compliance to Financial Covenants and Statement of Imprest Accounts and other explanatory notes for the period from 1 January 2018 to 31 December 2018 financed by the Asian Development Bank and the Government of Uzbekistan under Loan Agreement No. 3067-UZB dated 27 February 2014. The project financial statements have been prepared by management of State Enterprise “Project Implementation Unit of the Solid Waste Management Improvement” in accordance with IPSAS-Cash Basis issued by the International Public Sector Accounting Standards Board (IPSASB) of the IFAC and ADB guidelines.

The Management of the PIU is responsible for the preparation of the Project Financial Statements such as that the financial information in the Statement of Financial Position as at 31 December 2018, Statement of Sources of funds, Statement of Expenditures, Statement of Compliance to Financial Covenants and Statement of Imprest Accounts for the year ended 31 December 2018 is prepared, in all material respects, in accordance with the financial reporting provisions of the Agreements.

In preparing the Project Financial Statements, PIU’s Management is responsible for:

- Selecting suitable accounting principles and applying them consistently;
- Making judgments and estimates that are reasonable and prudent;
- Stating whether requirements of Loan Agreement have been followed, subject to any material departures disclosed and explained in the Project Financial Statements.

PIU’s Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the PIU;
- Maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial reports of the Project, and which enable them to ensure that the Project Financial Statements comply with the requirements of Loan Agreement;
- Maintaining statutory accounting records in compliance with legislation and requirements of Loan Agreement;
- Taking such steps as are reasonably available to them to safeguard the assets of the PIU;
- Detecting and preventing fraud and other irregularities.

Those Project Financial Statements for the year ended 31 December 2018 were authorized for issue on 27 August 2019 by PIU’s Management.

On behalf of the Management

Director, SUE “MAXSUSTRANS”
Karshiev R.M.



Head, PIU
Shukurov R.H.



SUE "MAXSUSTRANS"
SE "Solid Waste Management Improvement Project Implementation Unit"
Loan No. 3067-UZB

Statement of Financial Position
as at 31 December 2018

| | 31 December 2018 | 31 December 2017 (restated- Note10) |
|--|---------------------|--|
| ASSETS | | |
| Cash and cash equivalents | 93,570 | 1,458,456 |
| TOTAL assets | <u>93,570</u> | <u>1,458,456</u> |
| ACCUMULATED FUNDS & LIABILITIES | | |
| Cumulative project expenditures | (63,225,196) | (7,690,639) |
| Financing from ADB | 21,827,256 | 7,147,722 |
| Financing from Government | 41,486,123 | 1,995,986 |
| Other financing | 5,387 | 5,387 |
| TOTAL accumulated funds and liabilities | <u>93,570</u> | <u>1,458,456</u> |

On behalf of the Management

Director, SUE "MAXSUSTRANS"
Karshiev R.M.



Head, PIU
Shukurov R.H.



The annexed notes 1 to 11 form an integral part of these project financial statements

SUE "MAXSUSTRANS"
SE "Solid Waste Management Improvement Project Implementation Unit"
Loan No. 3067-UZB

Statement of Source of funds
as at 31 December 2018

| | USD | | |
|--|--|-------------------------|-----------------------------------|
| USD Project Imprest Account of PIU | 1,457,797 | | |
| UZS Project Imprest Account of PIU | 659 | | |
| Cash and Cash equivalent available as at 31 December 2017 | 1,458,456 | | |
| | Cumulative as at 31 December 2017- (restated-Note10) | Current period - 2018FY | Cumulative as at 31 December 2018 |
| | USD | USD | USD |
| Replenishment on Imprest account | 3,550,007 | | 3,550,007 |
| Direct payments | 3,597,715 | 14,679,534 | 18,277,249 |
| Total ADB Loan | 7,147,722 | 14,679,534 | 21,827,256 |
| Replenishment to Imprest account | - | - | - |
| In kind contribution - through exemption from taxes and duties | 1,963,426 | 39,504,490 | 41,467,916 |
| Total financing from the Government of Uzbekistan | 1,963,426 | 39,504,490 | 41,467,916 |
| Replenishment to Imprest account | 32,560 | 10,988 | 43,548 |
| Total financing from SUE "Maxsustrans" | 32,560 | 10,988 | 43,548 |
| Proceeds from sale of bidding documents | 4,519 | - | 4,519 |
| Return of the proceeds from sale of bidding documents | (84) | - | (84) |
| Other financing | 952 | - | 952 |
| Total other funds | 5,387 | - | 5,387 |
| TOTAL SOURCE OF FINANCING RECEIVED | 9,149,095 | 54,195,012 | 63,344,107 |
| TOTAL FUNDS AVAILABLE | 10,607,551 | 55,653,468 | |

On behalf of the Management

Director, SUE "MAXSUSTRANS"
Karshiev R.M.

Head, PIU
Shukurov R.H.

The annexed notes 1 to 11 form an integral part of these project financial statements

SUE "MAXSUSTRANS"
SE "Solid Waste Management Improvement Project Implementation Unit"
Loan No. 3067-UZB

Statement of Expenditures
For the period 1 January 2018 to 31 December 2018

| Part | Category | Name of Component | BUDGET | | ACTUAL | | UNUSED FUNDS | |
|--|----------|--|----------------------------|--|--------------------------------------|---|---|------|
| | | | Total budget of Project | Cumulative as at 31 December 2017 (restated- Note10) USD | Current period - 2018FY USD | Cumulative as at 31 December 2018 USD | Cumulative as at 31 December 2018 USD | in % |
| | | | | | | | | |
| PART - I "ADB funding part" | | | | | | | | |
| 1 Civil Works | | | | | | | | |
| | 1A | Landfill Construction | 17,831,000 | - | - | - | 17,831,000 | 100% |
| | 1B | Dumpsite Closure | 5,700,000 | - | - | - | 5,700,000 | 100% |
| | 1C | Transfer Station, Garages & Collection Points | 5,400,000 | - | - | - | 5,400,000 | 100% |
| | 1D | Design & Supervision | 2,546,000 | - | 202,640 | 202,640 | 2,343,360 | 92% |
| | | Total Civil Works | 31,477,000 | - | 202,640 | 202,640 | 31,274,360 | 99% |
| 2 Plant & Equipment | | | | | | | | |
| | 2A | Landfill Equipment & Machinery | 1,858,500 | - | - | - | 1,858,500 | 100% |
| | 2B | Waste Collection & Transfer trucks | 13,642,000 | - | 12,988,900 | 12,988,900 | 653,100 | 5% |
| | 2C | Bins & Other Equipment | 7,955,000 | 4,448,627 | 1,319,046 | 5,767,673 | 2,187,327 | 27% |
| | | Total Plant & Equipment | 23,455,500 | 4,448,627 | 14,307,946 | 18,756,573 | 4,698,927 | 20% |
| 3 Project Management, Capacity Development & Studies | | | | | | | | |
| | 3A | Project Management Personnel & Support | 2,236,700 | 538,316 | 460,465 | 998,781 | 1,237,919 | 55% |
| | 3B | Capacity Support Programs | 2,170,500 | 300,479 | 737,119 | 1,037,598 | 1,132,902 | 52% |
| | | Total Project Management, Capacity Development & Studies | 4,407,200 | 838,795 | 1,197,583 | 2,036,378 | 2,370,822 | 54% |

The annexed notes 1 to 11 form an integral part of these project financial statements

SUE "MAXSUSTRANS"
SE "Solid Waste Management Improvement Project Implementation Unit"
Loan No. 3067-UZB

Statement of Expenditures
For the period 1 January 2018 to 31 December 2018

| Part | Category | Name of Component | BUDGET | | ACTUAL | | UNUSED FUNDS | |
|---|----------|--|-------------------------|--|-------------------------|-----------------------------------|-----------------------------------|--------|
| | | | Total budget of Project | Cumulative as at 31 December 2017 (restated- Note10) | Current period - 2018FY | Cumulative as at 31 December 2018 | Cumulative as at 31 December 2018 | in % |
| | | | USD | USD | USD | USD | USD | |
| 4 | | Interest and Commitment Charges | 1,501,000 | 400,903 | 336,691 | 737,594 | 763,406 | 51% |
| 5 | | Unallocated | 8,159,300 | - | - | - | 8,159,300 | 100% |
| | | Subtotal - Part I | 69,000,000 | 5,688,325 | 16,044,860 | 21,733,185 | 47,266,815 | 69% |
| PART - II "Government and SUE funding part" | | | | | | | | |
| | | Project Management (Single Social Payment) | 332,700 | 38,717 | 10,515 | 49,232 | 283,468 | 85% |
| | | Tax and other fees | 5,820,000 | 1,963,426 | 39,504,490 | 41,467,916 | (35,647,916) | (613%) |
| | | Financial costs during investment period | 309,000 | - | - | - | 309,000 | 100% |
| | | Unallocated | 859,000 | - | - | - | 859,000 | 100% |
| | | Subtotal - Part II | 7,320,700 | 2,002,143 | 39,515,004 | 41,517,147 | (34,196,447) | (467%) |
| | | Exchange rate diff | | 171 | 33 | 204 | (204) | |
| | | TOTAL | 76,320,700 | 7,690,639 | 55,559,898 | 63,250,537 | 13,070,163 | 17% |

On behalf of the Management


Director, SUE "MAXSUSTRANS"
Karshiev R.M.


Head, PIU
Shukurov R.H.

The annexed notes 1 to 11 form an integral part of these project financial statements

SUE "MAXSUSTRANS"

SE "Solid Waste Management Improvement Project Implementation Unit"


Loan No. 3067-UZB

Statement of Compliance with Financial Covenants
as at 31 December 2018


| | | Required | Actual 31 December 2018 | Result |
|---------------------|---|-------------|----------------------------|--------|
| Financial covenants | | | | |
| 1.1. | Cash recovery operation ratio | $1 \geq$ | 0.77* | Comply |
| 1.2. | Review of tariffs at least once a year | Yes | Yes | Comply |
| 1.3. | Aggregate tariff collection rate from all customers | $\geq 90\%$ | 105%* | Comply |

*Data for calculation of financial covenants were used from audited financial statement of SUE "Maxsustrans", which were audited by independent audit firm - FTF-LEA-AUDIT LLC

On behalf of the Management


Director, SUE "MAXSUSTRANS"
Karshiev R.M.




Head, PIU
Shukurov R.H.



SUE "MAXSUSTRANS"

SE "Solid Waste Management Improvement Project Implementation Unit"

Loan No. 3067-UZB

Statement of Imprest Account - USD currency
as at 31 December 2018

| | |
|------------------------------|---|
| Account number: | 2021 0840 7004 2118 3001 |
| Imprest account opened with: | JSCIB "Ipoteka-Bank" Shaykhantakhur branch |
| Address: | 16 A, Uzbekistan street, Tashkent, Uzbekistan |
| Loan No.: | 3067-UZB |
| Currency: | USD |

USD

Balance as at 1 January 2018

1,457,797

Add:

Amount credited into the account by
replenishment of the Loan fund from
ADB

Less:

Funds used for project expenses
Conversion USD into UZS

1,319,046


46,513

1,365,559

Balance as at 31 December 2018

92,238

On behalf of the Management


Director, SUE "MAXSUSTRANS"
Karshiev R.M.




Head, PIU
Shukurov R.H.



The annexed notes 1 to 11 form an integral part of these project financial statements

SUE "MAXSUSTRANS"

SE "Solid Waste Management Improvement Project Implementation Unit"


Loan No. 3067-UZB

Statement of Imprest Account - UZS currency
as at 31 December 2018


| | |
|------------------------------|---|
| Account number: | 2021 0000 6004 2118 3001 |
| Imprest account opened with: | JSCIB "Ipoteka-Bank" |
| Address: | Shaykhantakhur branch 16 A, Uzbekistan street, Tashkent, Uzbekistan |
| Loan No.: | 3067-UZB |
| Currency: | UZS |

| | USD | 000'UZS |
|--|--------|---------|
| Balance as at 1 January 2018 | 659 | 5,354 |
| Add: | | |
| Received from conversions USD into UZS | 46,513 | 376,215 |
| SUE "MAXSUSTRANS" financing | 10,988 | 88,161 |
| | 57,501 | 464,376 |
| Less: | | |
| Funds used for project expenses | 56,795 | 458,618 |
| Exchange rate difference | 33 | - |
| | 56,828 | 458,618 |
| Balance as at 31 December 2018 | 1,333 | 11,112 |

On behalf of the Management


Director, SUE "MAXSUSTRANS"
Karshiev R.M.




Head, PIU
Shukurov R.H.

The annexed notes 1 to 11 form an integral part of these project financial statements

Notes to the Project Financial Statement

For the year ended 31 December 2018

NOTE 1: DESCRIPTION OF THE PROJECT

The Republic of Uzbekistan signed Loan Agreement No. Loan 3067-UZB for the “Solid Waste Management Improvement” Project with Asian Development Bank on 27 February 2014 and later Project Agreement dated 12 March 2014 was signed between Asian Development Bank, Tashkent City Municipality and State Unitary Enterprise “MAXSUSTRANS”.

The approved loan amount was \$69 million from the Asian Development Bank’s ordinary capital resources to finance the “Solid Waste Management Improvement” Project. The total project cost is \$76 million equivalent, inclusive of taxes and duties, and financial charges during implementation period.

Later, on 10th December 2014 the Sub-lending agreement was signed between the Ministry of Finance on behalf of the Government of Republic of Uzbekistan, Tashkent City Municipality and State Unitary Enterprise “MAXSUSTRANS” for the whole amount of loan.

The project aims to provide an improved solid waste management system in Tashkent, the capital city, to upgrade urban infrastructure and services. The project will develop a sanitary landfill that meets international standards, rehabilitate transfer stations, and modernize the waste collection and transfer fleet. It will build capacity in waste management and help formulate a national strategy on solid waste management.

The Project outputs include:

(i) Output 1: Rehabilitated and expanded SWM system in Tashkent.

By the project completion it is expected that:

- i. rehabilitation of transfer stations and possible closure of an existing transfer stations.
- ii. 3 million tons of disposal capacity established with international environmental standards, and
- iii. 1,950 tons per day of disposal and operational capacity established.

(ii) Output 2: Strengthened operational capacity.

By the project completion it is expected that:

- i. at least 90% of households actively segregating waste at source;
- ii. campaign to raise awareness will reach 90% of households on waste segregation with women households members’ participation;
- iii. improved management and operations of Maxsustrans, including a 20% improvement (reduction) in cost per ton of waste disposal, and (iv) an IT-supported MSW collection system based on a geographic information system (GIS) database is implemented and 80% of trips monitored by the system is achieved.

(iii) Output 3: National SWM Strategy.

The draft national SWM strategy will be prepared and submitted to the Government of Uzbekistan and ADB.

The Project components include:

- (i) **Civil Works** - These include the establishment of a sanitary landfill establishment, transfer stations and garage rehabilitation, dumpsite closure, garage rehabilitation and design and supervision.
- (ii) **Plant and Equipment** - These include the procurement of landfill equipment and machinery, waste collection and transfer trucks, waste collection bins and other equipment.
- (iii) **Project Management Capacity Development & Studies** - These are the project management and support through consulting services, and the capacity development programs listed below:
 - National SWM Strategy Formulation
 - Waste Minimization and recycling
 - Media and public awareness campaign

Notes to the Project Financial Statement

For the year ended 31 December 2018

- Transfer and logistic study
- O&M Support for SWM for systems operation

Implementing agencies

The President of Republic of Uzbekistan issued Decree No. 2255 dated 31 October 2014 and designates the SUE "MAXSUSTRANS" and Khokimiyat of Tashkent City as an executive agencies responsible for the implementation of the Project and effective use of loan proceeds.

Also the per above mentioned Decree, the Project Implementation Unit was established under SUE "MAXSUSTRANS" and later registered in state authority as State Enterprise "Solid Waste Management Improvement Project Implementation Unit" to support the Project implementation. This support includes project management, financial management, procurement, contract administration, safeguards implementation, monitoring and evaluation.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following basic accounting provisions have been applied in preparing the project financial statements. They have been applied consistently throughout the reporting period.

2.1. Basis of accounting

The Special Purpose Financial Statements are prepared by the Project Management on cash basis of accounting and in accordance with International Public Sector Accounting Standard: Financial reporting Under the Cash Basis of Accounting (IPSAS-Cash Basis) and ADB Guidelines.

According to cash basis of accounting, revenue is recognized when received rather than when earned, and expenses are recognized when paid rather than when incurred.

2.2. Presentational and Functional currency

The national currency of the Republic of Uzbekistan is Uzbek Soum ("UZS"). The PIU's functional currency is the United States Dollar ("USD") because it reflects the economic substance of the underlying events and circumstances relevant to the PIU and Project. The Loan Agreement with ADB is signed in USD and direct payments to contractors and replenishment to imprest account are done in USD.

The presentation currency of Project is United States Dollars (USD).

2.3 Transactions in the Foreign Currency

The Project Financial Statements are presented in USD. Expenditures incurred in Uzbek Soum were converted into presentational currency using the exchange rate of Central Bank of Uzbekistan on the date of transaction.

The opening and closing cash balances denominated in other currencies were converted into USD by using rate of Central Bank of Uzbekistan at 1 January 2018 and 31 December 2018 which are 1USD=8,120.07UZS and 1USD=8,339.55UZS respectively.

2.4 Project expenditures

The Project expenditures are recognized and included in Project Financial Statements when payments are made to suppliers for the goods, work and services. The payments could made either directly from the Loan funds or from Imprest Accounts of PIU.

SUE "MAXSUSTRANS"

SE "Solid Waste Management Improvement Project Implementation Unit"

Loan No. 3067-UZB

Notes to the Project Financial Statement

For the year ended 31 December 2018

NOTE 3: BUDGET OF PROJECT

The table below represents the source of financing of the Project during the implementation period:

| | | USD | | | |
|-----|--|-----------------------|-----------------------------------|---------------------------|--------------|
| No. | Category | ADB financing* | Government financing | | TOTAL BUDGET |
| | | As per Loan Agreement | Decree No.2255 dd 31 October 2014 | | |
| | | Directly | Directly | Through SUE "Maxsustrans" | |
| 1 | Civil Works | | | | |
| 1A | Landfill Construction | 17,831,000 | - | - | 17,831,000 |
| 1B | Dumpsite Closure | 5,700,000 | - | - | 5,700,000 |
| | Transfer Station, Garages & Collection | | | | |
| 1C | Points | 5,400,000 | - | - | 5,400,000 |
| 1D | Design & Supervision | 2,546,000 | - | - | 2,546,000 |
| | Total Civil Works | 31,477,000 | - | - | 31,477,000 |
| 2 | Plant & Equipment | | | | |
| 2A | Landfill Equipment & Machinery | 1,858,500 | - | - | 1,858,500 |
| 2B | Waste Collection & Transfer trucks | 13,642,000 | - | - | 13,642,000 |
| 2C | Bins & Other Equipment | 7,955,000 | - | - | 7,955,000 |
| | Total Plant & Equipment | 23,455,500 | - | - | 23,455,500 |
| | Project Management, Capicity Development & Studies | | | | |
| 3 | Development & Studies | | | | |
| 3A | Project Management Personnel & Support | 2,236,700 | - | - | 2,236,700 |
| 3B | Capacity Support Programs | 2,170,500 | - | - | 2,170,500 |
| | Total Project Management, Capicity Development & Studies | 4,407,200 | - | - | 4,407,200 |
| 4 | Interst and Commitment Charges | 1,501,000 | - | - | 1,501,000 |
| 5 | Unallocated | 8,159,300 | - | - | 8,159,300 |
| 1 | Project Management (Single Social Payment) | - | - | 332,700 | 332,700 |
| 2 | Tax and other fees | - | 5,820,000 | - | 5,820,000 |
| 3 | Financial costs during investment period | - | - | 309,000 | 309,000 |
| 4 | Unallocated | - | - | 859,000 | 859,000 |
| | TOTAL | 69,000,000 | 5,820,000 | 1,500,700 | 76,320,700 |

(*) The ADB financing does not include any taxes and duties charged in the Republic of Uzbekistan.

NOTE 4: PROJECT FUNDING

Financing from ADB

The Project Financial Statements reflect all payments of the ADB funds within the framework of the Project implementation, including direct payments, reimbursements of incurred expenditures and replenishment of special accounts.

Notes to the Project Financial Statement

For the year ended 31 December 2018

Disbursement procedures consist of four major types, described briefly as the:

1. **Direct payment procedure** - where the ADB, at the borrower's request, pays a designated beneficiary directly;
2. **Reimbursement procedure** - where ADB pays from the loan account to the borrower's account for eligible expenditures which have been incurred and paid for by the project out of its budget allocation or its own resources.
3. **Imprest fund procedure** - where ADB makes an advance disbursement from the loan account for deposit to an imprest account to be used exclusively for ADB's share of eligible expenditures.
4. **Commitment procedure** - where ADB, at the borrower's request, provides an irrevocable undertaking to reimburse a commercial bank for payments made or to be made to a supplier against a letter of credit (LC) financed from the loan account.

Financing from Government

The financing of the Government of Uzbekistan for this Project under Loan Agreement is:

1. **In cash** - the SUE "MAXSUSTRANS" transfers the funds to imprest account of Project as reimbursement of single social tax by PIU.
2. **In kind** - all goods (services, works) and purchase of vehicles financing under the ADB's loan proceeds as well as CIT tax of entities - non residents and income tax of individuals-non residents are exempted from the taxes and duties as per Decree No.2255 dated 31 October 2014 of the President of Republic of Uzbekistan. Those exemptions are presented as contribution of the Government to this Project. Please refer to Note 5 of the Project Financial Statements for the details.

Other financing

Other financing comprises of proceeds received from sale of bidding documents.

The table below presents the financing received from the parties under this Project as at 31 December 2018:

| Funding Sources: | Cumulative as at 31 December 2017 (restated-Note10) | During 2018FY | Cumulative as at 31 December 2018 |
|--|---|-------------------|---|
| | USD | USD | USD |
| Loan No. 3067-UZB | 7,147,722 | 14,679,534 | 21,827,256 |
| Government: | | | |
| By SUE "MAXSUSTRANS" | 32,560 | 10,988 | 43,548 |
| In kind - in type of exempted from taxes and duties | 1,963,426 | 39,504,490 | 41,467,916 |
| Other non operating income | 5,387 | - | 5,387 |
| Total funding: | 9,149,095 | 54,195,012 | 63,344,107 |

Notes to the Project Financial Statement
For the year ended 31 December 2018

NOTE 5: IN-KIND CONTRIBUTION OF THE GOVERNMENT

The Decree No.2255 dated 31 October 2014 of the President of Republic of Uzbekistan provides following exemptions:

- i. Goods, work, services and vehicles purchased from the ADB Loan are exempted from customs payments (except of custom duties), Value Added Tax (VAT), mandatory payments to Government Trust Funds;
- ii. Entities - nonresident of Republic of Uzbekistan from cooperate income tax (CIT); and
- iii. Individuals - nonresident from income tax.

All those exemptions are calculated and included in Statement of sources of funds as in-kind contribution of the Government and as project expenditures in Statement of Expenditures.

The in-kind contribution of the Government as at 31 December 2018 is provided below:

| | Refer to Contract | Object of the Contract | Exemption imposed | Taxes and Duties exempted amount in USD |
|--|---|--|-----------------------------------|---|
| Cumulative in-kind contribution of the Government as at 31 December 2017 - (Restated - Note 10): | | | | 1,963,426 |
| Exemptions applied for allowed transactions during 2018FY: | | | | |
| H.P Gauff Ingenieure GmbH | Contract No.: SUE/Maxsustrans/QCB S-Cons_1-2016-1 dated 11 January 2017 | PIU Consultants | CIT tax from non-resident and VAT | 86,625 |
| China Urban Construction Design & Research Institute Co. | Contract No.: SUE/Maxsustrans/QCB S-Cons_2-2016-1 dated 16 November 2018 | Sanitary Landfill Design and Supervision Consultants | CIT tax from non-resident and VAT | 153,862 |
| Posco-Daewoo Corporation | Contract No.: SUE/Maxsustrans/ICB- G2-2016-02 dated 19 October 2017 | Waste collection trucks and transfer trucks; trailers and containers | VAT and Custom payments | 39,264,003 |
| | | | | 39,504,490 |
| Cumulative in-kind contribution of the Government as at 31 December 2018: | | | | 41,467,916 |

NOTE 6: STATEMENT OF EXPENDITURES (SOE) SUBMITTED TO ADB

During 2018, the PIU did not prepare and submit to ADB a withdrawal application with attached Summary of Statement of Expenditures for further replenishment to imprest account.

SUE “MAXSUSTRANS”
SE “Solid Waste Management Improvement Project Implementation Unit”
Loan No. 3067-UZB

Notes to the Project Financial Statement
For the year ended 31 December 2018

NOTE 7: WITHDRAWAL APPLICATION SCHEDULE

During the period 1 January 2018 to 31 December 2018, following withdrawal applications were prepared and submitted to ADB for payments from Loan funds:

| Refer. of WA | Date of submission | Date of approval | Type of Disburse- ment | Supplier/Expenses | Currency of payment | Total requested Amount in USD | Category wise breakdown of the total paid amount | | | | | | | Diff between requested and paid amount |
|-----------------|-----------------------|---------------------|------------------------------|---|------------------------|--|--|---|---|---------------------------------|-------------------------------------|---|---------|--|
| | | | | | | | Design & Supervision | Waste Collection & Transfer trucks | Project Management & Personnel Support | Capacity Support Programs | Interstand Commitment Charges | Total approved and paid amount | | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13=8+9+10 +11+12 | 14=13-7 | |
| 0023 | 2-Feb-18 | 9-Feb-18 | Direct payment | POSCO-DAEWO Cooperation | USD | 1,298,890 | - | 1,298,890 | - | - | - | 1,298,890 | - | |
| 0024 | 12-Feb-18 | 21-Feb-18 | Direct payment | H.P. GAUFF INGENIEURE GMBH & CO. KG-JBG (J/V) | USD | 66,487 | - | - | 66,487 | - | - | 66,487 | - | |
| 0025 | 30-Apr-18 | 8-May-18 | Direct payment | H.P. GAUFF INGENIEURE GMBH & CO. KG-JBG (J/V) | USD | 124,410 | - | - | 124,410 | - | - | 124,410 | - | |
| 0026 | 3-May-18 | 14-May-18 | CL | POSCO-DAEWO Cooperation | USD | 3,400,000 | - | 3,400,000 | - | - | - | 3,400,000 | - | |
| 0027 | 3-May-18 | 14-May-18 | CL | POSCO-DAEWO Cooperation | USD | 1,316,640 | - | 1,316,640 | - | - | - | 1,316,640 | - | |
| 0028 | 18-May-18 | 23-May-18 | CL | POSCO-DAEWO Cooperation | USD | 202,560 | - | 202,560 | - | - | - | 202,560 | - | |
| 0029 | 24-May-18 | 29-May-18 | CL | POSCO-DAEWO Cooperation | USD | 407,920 | - | 407,920 | - | - | - | 407,920 | - | |
| 0030 | 29-May-18 | 6-Jun-18 | Direct payment | TSJAR-FINANS, LLC | USD | 9,300 | - | - | - | 9,300 | - | 9,300 | - | |
| 0031 | 5-Jun-18 | 16-Jul-18 | CL | POSCO-DAEWO Cooperation | USD | 2,532,000 | - | 2,532,000 | - | - | - | 2,532,000 | - | |

SUE "MAXSUSTRANS"
SE "Solid Waste Management Improvement Project Implementation Unit"
Loan No. 3067-UZB

Notes to the Project Financial Statement
For the year ended 31 December 2018

| <u>1</u> | <u>2</u> | <u>3</u> | <u>4</u> | <u>5</u> | <u>6</u> | <u>7</u> | <u>8</u> | <u>9</u> | <u>10</u> | <u>11</u> | <u>12</u> | <u>13=8+9+10 +11+12</u> | <u>14=13-7</u> |
|--------------|-----------|-----------|-------------------|---|----------|-------------------|----------------|-------------------|----------------|----------------|----------------|-----------------------------|----------------|
| 0032 | 27-Jun-18 | 16-Jul-18 | Direct payment | GWCC-INTERVAL ZT GMBH | USD | 101,177 | - | - | - | 101,177 | - | 101,177 | - |
| 0033 | 20-Jul-18 | 1-Aug-18 | Direct payment | GWCC-INTERVAL ZT GMBH | USD | 259,322 | - | - | - | 259,322 | - | 259,322 | - |
| 0034 | 20-Jul-18 | 1-Aug-18 | Direct payment | H.P. GAUFF INGENIEURE GMBH & CO. KG-JBG (J/V) | USD | 114,120 | - | - | 114,120 | - | - | 114,120 | - |
| 0035 | 24-Jul-18 | 11-Sep-18 | CL | POSCO-DAEWO Cooperation | USD | 506,400 | - | 506,400 | - | - | - | 506,400 | - |
| 0036 | 24-Jul-18 | 11-Sep-18 | CL | POSCO-DAEWO Cooperation | USD | 2,025,600 | - | 2,025,600 | - | - | - | 2,025,600 | - |
| 0037 | 12-Nov-18 | 26-Nov-18 | Direct payment | H.P. GAUFF INGENIEURE GMBH & CO. KG-JBG (J/V) | USD | 109,168 | - | - | 109,168 | - | - | 109,168 | - |
| 0038 | 12-Nov-18 | 26-Nov-18 | Direct payment | GWCC-INTERVAL ZT GMBH | USD | 240,861 | - | - | - | 240,861 | - | 240,861 | - |
| 0039 | 19-Nov-18 | 26-Nov-18 | Direct payment | GWCC-INTERVAL ZT GMBH | USD | 126,459 | - | - | - | 126,459 | - | 126,459 | - |
| 0040 | 12-Nov-18 | 28-Nov-18 | Direct payment | POSCO-DAEWO Cooperation | USD | 1,298,890 | - | 1,298,890 | - | - | - | 1,298,890 | - |
| 0041 | 10-Dec-18 | 19-Dec-18 | Direct payment | CHINA URBAN CONSTRUCTION DESIGN & RESEARCH | USD | 202,640 | 202,640 | - | - | - | - | 202,640 | - |
| 918A | | | Others | ADB-Interest withdrawal | USD | 110,241 | - | - | - | - | 110,241 | 110,241 | - |
| 9180 | | | Others | ADB-Interest withdrawal | USD | 226,450 | - | - | - | - | 226,450 | 226,450 | - |
| TOTAL | | | | | | 14,679,534 | 202,640 | 12,988,900 | 414,184 | 737,119 | 336,691 | 14,679,534 | - |

Notes to the Project Financial Statement

For the year ended 31 December 2018

NOTE 8: PROJECT EXPENDITURES BUDGET EXECUTION

| No. | Main Category | Total Budget | Cumulative as at 31 December 2018 | Execution (a) |
|---|---|--------------|---|---------------|
| | | USD | USD | % |
| PART - I "ADB funding part" | | | | |
| 1 | Civil Works | 31,477,000 | 202,640 | 1% |
| 2 | Plant & Equipment | 23,455,500 | 18,756,573 | 80% |
| 3 | Project Management, Capicity Development & Studies | 4,407,200 | 2,036,378 | 46% |
| 4 | Interst and Commitment Charges | 1,501,000 | 737,594 | 49% |
| 5 | Unallocated | 8,159,300 | - | 0% |
| PART - II "Government and SUE funding part" | | | | |
| 6 | Project Management (Single Social Payment) | 332,700 | 49,232 | 15% |
| 7 | Tax and other fees | 5,820,000 | 41,467,916 | 713% |
| 8 | Financial costs during investment period | 309,000 | - | 0% |
| 9 | Unallocated | 859,000 | - | 0% |
| | Exchange rate differences | - | 204 | #ДЕЛ/0! |
| | TOTAL | 76,320,700 | 63,250,537 | 83% |

- (a) The Closing Date of the Project is set on 31 December 2018 and Loan Closing Date is set 30 June 2019. The Loan Closing Date and Project Completion were extended till 30 June 2021 and 30 December 2020 as per email of ADB dated 18 December 2018 respectively.

The completion of the Project as at 31 December 2018 is 83%, which is mostly because of recognition of expenses in equivalent amount of the Government's non-cash contribution as tax and duties exemptions. However the cash-basis completion of the Project (net of "Tax and other fees" line) will be 31% as at 31 December 2018.

Delay in implementation of the Project is mainly due to long expertise and registration contracts and prolonged tender process on major contracts.

NOTE 9: TAXES

According to the Tax Code and the Laws of the Republic of Uzbekistan, withholding and payment of income tax and social security contributions from salaries of employees must be carried out on a monthly basis, what has been done by the PIU.

However, the PIU is non-commercial organization and it is exempted from CIT taxes and other taxes and fees of entities as per Tax Code of the Republic of Uzbekistan.

Notes to the Project Financial Statement

For the year ended 31 December 2018

NOTE 10: THE CHANGE IN THE CUMULATIVE DATA AT 31 DECEMBER 2017

As described in Note 5 to accompanying Project Financial Statements, the purchase of goods, work and services from the proceeds of the Loan are exempted from customs payments and taxes.

The Management of PIU did not recognize as non-cash contribution of the Government and equivalent amount to expenses the exempted VAT of H.P Gauff Ingenieure GmbH in amounts of USD 22,455.

Also the Management of PIU recalculated the tax and duties exemption from supply of little bins for 2017FY and found that USD 2,886 less was reported in previous Project Financial Statements.

The Government's in-kind contributions in amount of USD 1,938,085 reported in other statements were also included in the Statement of Financial Position.

The Management decided to apply those errors retrospectively, so the cumulative figures as at 31 December 2017 have been changed as followings:

| | The effect of retrospective application | | | | Revised Cumulative on 31 December 2017 |
|---|---|--|--|--|--|
| | Cumulative on 31 December 2017 | Tax and duties exemption reported in other statement in 2017FY | VAT exemption of H.P Gauff Ingenieure GmbH | VAT and Custom exemption of import of little bins by "Uzbek Chinese Trading House LTD" | |
| ASSETS | | | | | |
| Cash and cash equivalents | 1,458,456 | - | - | - | 1,458,456 |
| TOTAL assets | 1,458,456 | - | - | - | 1,458,456 |
| ACCUMULATED FUNDS & LIABILITIES | | | | | |
| Cumulative project expenditures | (5,727,213) | (1,938,085) | (22,455) | (2,886) | (7,690,639) |
| Financing from ADB | 7,147,722 | - | - | - | 7,147,722 |
| Financing from Government | 32,560 | 1,938,085 | 22,455 | 2,886 | 1,995,986 |
| Other financing | 5,387 | - | - | - | 5,387 |
| TOTAL accumulate funds and liabilities | 1,458,456 | - | - | - | 1,458,456 |

NOTE 11: GENERAL

Figures have been rounded to the nearest USD and UZS and minor rounding differences may occur.

On behalf of the Management

Director, SUE "MAXSUSTRANS"
Karshiev R.M.



Head, PIU
Shukurov R.H.