

# Audited Project Financial Statements

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Project Number: 46145-001

Loan Number: 2916

Period covered: 1 January 2014 to 31 December 2014

## **KAZ: CAREC Corridor 3 (Shymkent-Tashkent Section) Road Improvement Project**

Prepared by Ministry of Finance

For the Asian Development Bank

Date received by ADB: 9 July 2015

The audited project financial statements are documents owned by the borrower. The views expressed herein do not necessarily represent those of ADB's Board of Directors, Management, or staff. These documents are made publicly available in accordance with ADB's Public Communications Policy 2011 and as agreed between ADB and the Ministry of Finance.

**Project CAREC Corridor 3**  
**[Section "Shymkent-Tashkent"] [access road to the International transit**  
**corridor Western Europe-Western China], financed under**  
**Agreement No. 2916-KAZ, between the Government of the Republic of**  
**Kazakhstan and Asian Development Bank**

Financial statements

*with independent auditors' report*  
*for the year ended 31 December 2014*

Project CAREC Corridor 3  
[Section "Shymkent-Tashkent"] [access road to  
the International transit corridor Western Europe-Western China],  
financed under Agreement No. 2916-KAZ,  
between the Government of the Republic of Kazakhstan  
and Asian Development Bank

Financial statements

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## **Independent auditors' report**

To the Management of the Project CAREC corridor 3 [Section "Shymkent - Tashkent"] [access road to the International transit corridor Western Europe – Western China], financed under Agreement No. 2916-KAZ, between the Government of the Republic of Kazakhstan and Asian Development Bank:

We have audited the accompanying financial statements of the Project CAREC corridor 3 [Section "Shymkent - Tashkent"] [access road to the International transit corridor Western Europe – Western China], financed under Agreement No. 2916-KAZ, between the Government of the Republic of Kazakhstan and Asian Development Bank (the "Project"), which comprise statement of receipts and disbursement of funds for the year ended 31 December 2014, statement of cumulative cash receipts, statement of cumulative cash disbursements, detailed statement of loan drawdown for the year then ended, and a summary of significant accounting policies and other explanatory information (the "financial statements").

### **Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Public Sector Accounting Standards (IPSAS) "Financial Reporting Under the Cash Basis of Accounting" issued by the International Public Sector Accounting Standards Board of the International Federation of Accountants, and the financial reporting provisions of Loan Agreement No. 2916-KAZ between the Government of the Republic of Kazakhstan and Asian Development Bank, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. 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.

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 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 made by management, as well as evaluating the overall presentation of the financial statements.

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



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### Opinion

In our opinion, the financial statements present fairly, in all material respects, the cash receipts and payments of the Project for the year ended 31 December 2014 in accordance with International Public Sector Accounting Standards (IPSAS) "Financial Reporting Under the Cash Basis of Accounting" issued by the International Public Sector Accounting Standards Board of the International Federation of Accountants, and the financial reporting provisions of Loan Agreement No. 2916-KAZ between the Government of the Republic of Kazakhstan and Asian Development Bank.

*Ernst & Young LLP*

Alexandr Nazarkulov  
Auditor

Auditor qualification certificate  
No. МФ-0000059 dated 6 January 2012

11 June 2015

Evgeny Zhemaletdinov  
General Director  
Ernst and Young LLP

State audit license for audit activities on the  
territory of the Republic of Kazakhstan: series  
МФЮ-2 No. 0000003 issued by the Ministry of  
Finance of the Republic of Kazakhstan  
on 15 July 2005

Project CAREC Corridor 3  
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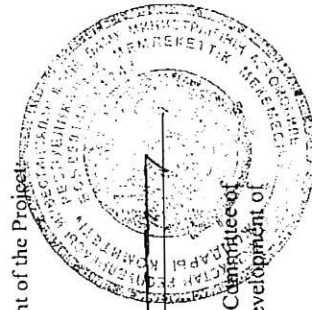
Financial statements

# STATEMENT OF RECEIPTS AND DISBURSEMENTS OF FUNDS

For the year ended 31 December 2014

US dollars	2014			2013		
	ADB loan	Receipts from Government of the Republic of Kazakhstan	Total	ADB loan	Receipts from Government of the Republic of Kazakhstan	Total
<b>Receipts</b>						
Direct payments	26,212,104	4,298,407	30,510,511	5,238,803	924,495	6,163,298
<b>Total receipts under the Project</b>	<b>26,212,104</b>	<b>4,298,407</b>	<b>30,510,511</b>	<b>5,238,803</b>	<b>924,495</b>	<b>6,163,298</b>
<b>Expenses</b>						
Construction works	25,843,284	4,298,407	30,141,691	5,238,803	924,495	6,163,298
Advisory service	368,820	-	368,820	-	-	-
<b>Total payments under the Project</b>	<b>26,212,104</b>	<b>4,298,407</b>	<b>30,510,511</b>	<b>5,238,803</b>	<b>924,495</b>	<b>6,163,298</b>

Signed on behalf of the management of the Project



A.A. Bekov

Deputy Chairman of Motor Roads Committee of  
 the Ministry for Investment and Development of  
 the Republic of Kazakhstan

Project CAREC Corridor 3  
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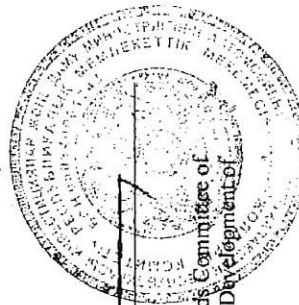
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# STATEMENT OF CUMULATIVE CASH RECEIPTS

From the inception date of the Project through 31 December 2014

	Cumulative from the inception date of the Project through 31 December 2013			Receipts for the year ended 31 December 2014			Cumulative from the inception date of the Project through 31 December 2014		
	Receipts from Government of the Republic of Kazakhstan			Receipts from Government of the Republic of Kazakhstan			Receipts from Government of the Republic of Kazakhstan		
US dollars	ADB loan	Total		ADB loan	Total		ADB loan	Total	Total
<b>Receipts</b>									
ADB direct payments	5,238,803	-	5,238,803	26,212,104	-	26,212,104	31,450,907	-	31,450,907
Direct payments from the Government of the Republic of Kazakhstan	-	924,495	924,495	-	4,298,407	4,298,407	-	5,222,902	5,222,902
<b>Total receipts under the Project</b>	<b>5,238,803</b>	<b>924,495</b>	<b>6,163,298</b>	<b>26,212,104</b>	<b>4,298,407</b>	<b>30,510,511</b>	<b>31,450,907</b>	<b>5,222,902</b>	<b>36,673,809</b>

Signed on behalf of the management of the Project:



A.A. Bekov

Deputy Chairman of Motor Roads Committee of  
the Ministry for Investment and Development of  
the Republic of Kazakhstan

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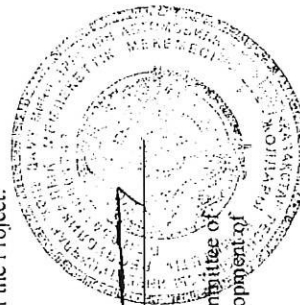
Financial statements

# STATEMENT OF CUMULATIVE CASH DISBURSEMENTS

From the inception date of the Project through 31 December 2014

US dollars	Cumulative from the inception date of the Project through 31 December 2013			Expenses for the year ended 31 December 2014			Cumulative from the inception date of the Project through 31 December 2014		
	ADB loan	Receipts from Government Republic of Kazakhstan	Total	ADB loan	Receipts from Government Republic of Kazakhstan	Total	ADB loan	Receipts from Government Republic of Kazakhstan	Total
<b>Expenses</b>									
Construction works	5,238,803	924,495	6,163,298	25,843,284	4,298,407	30,141,691	31,082,087	5,222,902	36,304,989
Consulting services	—	—	—	368,820	—	368,820	368,820	—	368,820
<b>Total payments under the Project</b>	<b>5,238,803</b>	<b>924,495</b>	<b>6,163,298</b>	<b>26,212,104</b>	<b>4,298,407</b>	<b>30,510,511</b>	<b>31,450,907</b>	<b>5,222,902</b>	<b>36,673,809</b>

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## DETAILED STATEMENT OF LOAN DRAWDOWN

For the year ended 31 December 2014

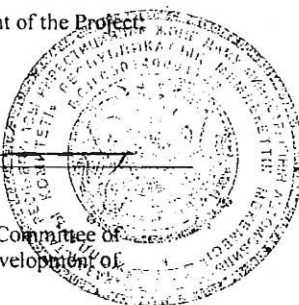
US dollars

No. of withdrawal application	Date of withdrawal	Direct payments	Total
2	28 July 2014	5,238,803	5,238,803
3	7 August 2014	2,252,417	2,252,417
4	30 September 2014	1,851,187	1,851,187
5	15 October 2014	5,956,972	5,956,972
6	14 November 2014	2,898,022	2,898,022
7	10 December 2014	1,248,013	1,248,013
8	10 December 2014	2,288,023	2,288,023
9	17 December 2014	1,450,534	1,450,534
10	18 December 2014	2,659,313	2,659,313
11	22 December 2014	368,820	368,820
		<b>26,212,104</b>	<b>26,212,104</b>

Signed on behalf of the management of the Project:

  
A.A. Bekov

Deputy Chairman of Motor Roads Committee of  
the Ministry for Investment and Development of  
the Republic of Kazakhstan



Notes on pages 5-6 form an integral part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

### 1. GENERAL PROVISIONS

#### Operating environment in the Republic of Kazakhstan

Project activities are carried out in Kazakhstan. Accordingly, the project is exposed to risks incidental to economic and financial markets of Kazakhstan, which demonstrate characteristics of a country with developing market economy. The legal system, tax system and legislative base continue developing but are subject to various interpretations and frequent changes, which together with other legal and financial impediments intensify the problems encountered by the entities operating in Kazakhstan.

#### Type of business

Loan agreement No. 2916-KAZ (the "Agreement") between the Government of the Republic of Kazakhstan (the "Government") and Asian Development Bank (the "ADB") was signed on 28 May 2013 and ratified on 15 November 2013 ("Inception date of the Project"). Under the Agreement ADB provides a loan of US dollars 125,000,000 (the "Loan") for the Project implementation purpose "Project on reconstruction of road CAREC Corridor 3 [Section "Shymkent-Tashkent"] [access road to the International transit corridor Western Europe-Western China] (the "Project"), and shall be repaid by the Government from 15 December 2016 through 15 June 2032 after the end of the grace period.

The purpose of the Project is to develop the efficient transportation system at the road section CAREC Corridor 3 in South-Kazakhstan oblast.

The Project was carried out by the Motor Roads Committee of the Ministry for Investment and Development of the Republic of Kazakhstan that acts as an Executive Agent on behalf of the Government of the Republic of Kazakhstan.

The Project comprises the following components:

- rehabilitation of a 36.7 km road section between km 705 and km 742 on the road between Shymkent and Tashkent in the Borrower's South Kazakhstan oblast on CAREC Corridor 3; and
- support for construction supervision and external safeguard monitoring.

It is expected that the implementation of the Project will be completed on 1 November 2017.

30 June 2016 is the date of completion the loan drawdown period or such other date that may be agreed by the Government and ADB.

### 2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS) *Financial Reporting Under the Cash Basis of Accounting* issued by the International Public Sector Accounting Standards Board of the International Federation of Accountants, and the financial reporting provisions of Loan Agreement No. 2916-KZ between the Government of the Republic of Kazakhstan and Asian Development Bank.

The Project's approved budget disclosed by components of expenses is not publicly available and as such comparison of budget and actual amounts is not presented.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies described below have been consistently applied in the reporting periods presented in these financial statements.

#### Cash basis of accounting in these financial statements

In these financial statements receipts and expenses are recognised when they are incurred.

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

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### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Presentation currency**

These financial statements are presented in US dollars (the "US dollars").

#### **Foreign currency transactions**

Transactions in foreign currency are translated into the reporting currency at the rate of exchange ruling at the date of such transactions. Direct payments from ADB are translated into US dollars at the rate of exchange established by ADB at the date of payments. Receipts from the Government of the Republic of Kazakhstan are translated to US dollars at the foreign exchange rates established by the National Bank of the Republic of Kazakhstan at the date of payments. The foreign exchange differences arising upon translation of transactions denominated in other currencies in US dollars are presented as a net value from a change in foreign exchange rates.

#### **Categories of expenditures**

The agreement determines the main categories of expenditures financed by the Loan, quantity for each category as well as a share of financing for each category.

In accordance with the Agreement, there are the following categories of expenditures:

- construction works;
- consulting services;
- unallocated proceeds.

Allocation of expenses by type of expenses in the statement of disbursements is carried out on the basis of comparison of work description in the Agreement and work description in primary documents.

#### **Cash received**

Based on the terms and conditions of the Agreement, the Government of the Republic of Kazakhstan is obliged to repay interest and principal of the Loan. These payments are recorded in the Government accounts and are not reflected in these financial statements. 15 June 2032 is the date of the last payment by the Government under the Loan.

### **4. CASH**

The Project does not have special accounts.

### **5. DIRECT PAYMENTS**

Direct payments under the Project are made by ADB and Government of the Republic of Kazakhstan directly to suppliers determined in accordance with the terms and conditions of the Agreement.

### **6. UNDRAWN BORROWING FACILITIES**

As of 31 December 2014 the balance of undrawn borrowing facilities of Loan from ADB comprise 93,549,093 US dollars (2013: 119,761,197 US dollars).

### **7. DATE OF ISSUE**

The financial statements were approved for issue by Deputy Chairman of Motor Roads Committee of the Ministry for Investment and Development of the Republic of Kazakhstan on 11 June 2015.

