

# Audited Project Financial Statements

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Project Number: 48424-002

Loan Number: 3416

Period covered: 1 January 2019 to 31 December 2019

## **KAZ: CAREC Corridors 1 and 6 Connector Road (Aktobe–Makat) Reconstruction Project**

Prepared by FinExpertiza Kazakhstan, LLP

For the Asian Development Bank

Date received by ADB: 9 July 2020

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

**Project «Makat-Aktobe» Road Reconstruction  
Project Connecting CAREC Corridors 1 and 6», funded  
under Agreement №3416-KAZ concluded between  
the Government of the Republic of Kazakhstan  
and the Asian Development Bank**

**Financial statements**

*for the year ended December 31, 2019*

MANAGEMENT CONFIRMATION OF RESPONSIBILITY FOR THE PREPARATION AND  
APPROVAL OF FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019.

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Project «Makat-Aktobe» Road Reconstruction Project Connecting CAREC Corridors 1 and 6», funded under Agreement №3416-KAZ concluded between the Government of the Republic of Kazakhstan and the Asian Development Bank

**MANAGEMENT CONFIRMATION OF RESPONSIBILITY  
FOR THE PREPARATION AND APPROVAL OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019.**

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The following statement has been made, which should be considered together with the description of the responsibilities of the auditors contained in the presented Independent Auditors' Report in order to differentiate the responsibility of auditors and management in relation to the financial statements of Project «Makat-Aktobe» Road Reconstruction Project Connecting CAREC Corridors 1 and 6», funded under Agreement №3416-KAZ concluded between the Government of the Republic of Kazakhstan and the Asian Development Bank (hereinafter referred to as the "Project").

Project management is responsible for the preparation of these financial statements, which faithfully reflects in all material respects the results of its activities, which includes the statement of cash flow: receipts and payments for the year ended December 31, 2019; statement of cash flow: expenditure in comparison with the budget for the year ended December 31, 2019, as well as a brief description of significant accounting policies and other notes to the financial statements (hereinafter referred to as "financial statements") in accordance with International Financial Reporting Standards (IFRS).

In preparing the financial statements, management of the Project is responsible for:

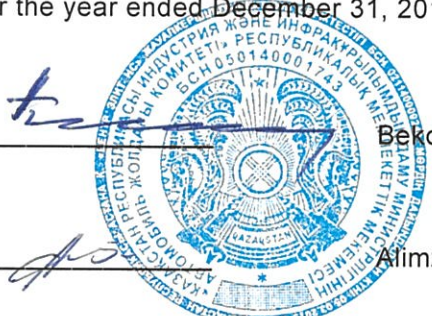
- ensuring the right choice and application of accounting policies;
- presentation of information, including data on accounting policies, in a form that ensures the relevance, reliability, comparability and comprehensibility of such information;
- disclosure of additional information in cases where the implementation of IPSAS requirements is not sufficient for users to understand the reporting of the impact that certain transactions, as well as other events or conditions, have on the financial position and financial results of the Project;
- assessment of the ability of the Project to continue activities in the foreseeable future.

Management is also responsible for:

- development, implementation and maintenance of an effective and reliable system of internal control of the Project;
- maintaining records in a form that allows you to disclose and explain the transactions of the Project, as well as provide at any date information of sufficient accuracy about the financial position of the Project and ensure that the financial statements comply with the requirements of IPSAS;
- accounting in accordance with the legislation of the Republic of Kazakhstan and IPSAS;
- taking all reasonably possible measures to ensure the safety of the Project assets;
- identification and prevention of facts of financial and other abuses.

These financial statements of the Project for the year ended December 31, 2019 were approved for issue on **May 30, 2020**.

Deputy Chairman of the Committee  
for Roads of the Ministry of Industry  
and Infrastructure Development of  
the Republic of Kazakhstan  
Head of the Department of the  
Committee for Roads of the Ministry  
of Industry and Infrastructure  
Development of the Republic of  
Kazakhstan

  
Bekov A.A.  
Alimzhanova M.S.

Republic of Kazakhstan, Nur-Sultan



## INDEPENDENT AUDITOR'S REPORT



To the Management of the Project «Makat-Aktobe» Road Reconstruction Project Connecting CAREC Corridors 1 and 6», funded under Agreement №3416-KAZ concluded between the Government of the Republic of Kazakhstan and the Asian Development Bank.

### The conclusion of the audit

We conducted an audit of the attached financial statements of the Project «Makat-Aktobe» Road Reconstruction Project Connecting CAREC Corridors 1 and 6», funded under Agreement №3416-KAZ concluded between the Government of the Republic of Kazakhstan and the Asian Development Bank (hereinafter "Project"), which includes the statement of cash flow: receipts and payments for the year ended December 31, 2019; statement of cash flow: expenditure in comparison with the budget for the year ended December 31, 2019, as well as a brief description of significant accounting policies and other notes to the financial statements (hereinafter referred to as "financial statements").

### In our opinion,

- The financial statements in all material respects reliably reflect the cash receipts and payments of the Project in accordance with the International Public Sector Accounting Standards (IPSAS) "Financial reporting by the cash basis of accounting method" published by the International Federation of Accountants, as well as in accordance with the requirements of the Asian Development Bank for the year ended December 31, 2019;
- Cash received from ADB were used only for the purposes stipulated by the Project in accordance with the loan agreement "3416-KAZ", and no proceeds from the loan were used for other purposes;
- At the reporting date, the Management of the Project was in compliance with all financial conditions of Loan Agreement № 3416-KAZ.

### The basis for the expression of opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities in accordance with these standards are described further in the "Auditor's Responsibility for the Audit of the Financial Statements" section of our report. We are independent of the Project in accordance with the Code of Ethics of Professional Accountants of the Council on International Ethics Standards for Accountants (CIESA Code); and we have fulfilled other ethical obligations in accordance with the CIESA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to warrant the expression of our opinion.

### Management responsibility for the financial statements

Management of the Project is responsible for the preparation and fair presentation of these financial statements in accordance with the International Public Sector Accounting Standards "Financial reporting by the cash basis of accounting method", as well as in accordance with the requirements of the Asian Development Bank, as well as for the internal control system, which Management believes that it is necessary to prepare financial statements that are free from material misstatement due to fraud or error.

In preparing the financial statements, management is responsible for assessing the ability of the Project to continue to operate continuously, for disclosing, as appropriate, information related to business continuity, and for preparing statements based on the going concern assumption, unless management intends to liquidate the Project, terminate its activity or when it does not have any other real alternative, except liquidation or termination of activity.

Those responsible for corporate governance are responsible for overseeing the preparation of the financial statements of the Project.

### Auditor's responsibility for the audit of financial statements

Our goal is to obtain reasonable assurance that the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report containing our opinion. Reasonable assurance represents a high degree of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always reveal material misstatement, if any. Misstatements may be the



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**MANAGEMENT CONFIRMATION OF RESPONSIBILITY  
FOR THE PREPARATION AND APPROVAL OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019.**

result of fraud or error and are considered material if it can reasonably be assumed that, individually or collectively, it may affect the economic decisions of users based on these financial statements.

We apply professional judgment and maintain professional skepticism throughout the audit as part of the audit conducted in accordance with the International Auditing Standards. In addition, we do the following:

- we identify and assess the risks of material misstatement of the financial statements due to fraud or error; We develop and conduct audit procedures in response to these risks; We obtain audit evidence that is sufficient and appropriate to serve as the basis for our opinion. The risk of not detecting material misstatement as a result of fraud is higher than the risk of not detecting material misstatement as a result of an error, as fraud can include conspiracy, forgery, intentional omission, misrepresentation of information or actions that bypass the internal control system;
- we gain an understanding of the internal control system that is relevant to the audit, with the aim of developing audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control system;
- we evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures by management;
- we evaluate the presentation of the financial statements as a whole, its structure and content, including disclosure of information, as well as whether the financial statements represent the underlying operations and events in such a way that their reliable presentation is ensured.

We carry out information interaction with persons responsible for managing the Project, bringing to their attention, among other things, information on the planned scope and timing of the audit, as well as on significant comments on the results of the audit, including significant deficiencies in the internal control system that we identify during the audit process.

Yours sincerely,

  
**Kerim Kozhakhmetov**  
Auditor

«Finexpertiza Kazakhstan» LLP  
State license for engaging in audit activities in the Republic of Kazakhstan №17015427, issued by the Committee for Financial Control of the Ministry of Finance of the Republic of Kazakhstan on September 4, 2017.



The qualification certificate of the auditor  
№0000434 dated November 14, 1998.

May 30, 2020

 **FINEXPERTIZA**  
KAZAKHSTAN

Project «Makat-Aktobe» Road Reconstruction Project Connecting CAREC Corridors 1 and 6», funded under Agreement №3416-KAZ concluded between the Government of the Republic of Kazakhstan and the Asian Development Bank

## FINANCIAL STATEMENTS

### STATEMENT OF CASH FLOW: RECEIPTS AND PAYMENTS for the year ended December 31, 2019

US dollars	Note	ADB loan	2019 year	Cumulative total from the Project beginning date to December 31, 2019			
			Receipts from the government of the Republic of Kazakhstan	Total	ADB loan	Receipts from the government of the Republic of Kazakhstan	Total
Cash for the Project on January 1							
RECEIPTS							
Direct payments		47 711 155		47 711 155	109 032 510		109 032 510
Receipts from the Government of the Republic of Kazakhstan			7 052 147	7 052 147		10 911 148	10 911 148
Total receipts for the Project	5	47 711 155	7 052 147	54 763 302	109 032 510	10 911 148	119 943 658
DISPOSALS							
Construction works		45 415 550	6 553 318	51 968 868	104 871 397	9 910 781	114 782 178
Consulting services		2 295 605	498 829	2 794 434	4 161 113	1 000 367	5 161 480
Total disposals for the Project		47 711 155	7 052 147	54 763 302	109 032 510	10 911 148	119 943 658
Cash for the Project on December 31	4	-	-	-	-	-	-

Signed on behalf of the Management of the Project:

**Bekov A.A.**

Deputy Chairman of the Committee for Roads of the Ministry of Industry and Infrastructure Development of the Republic of Kazakhstan.

The explanatory notes are an integral part of these financial statements

US dollars	Note	2019			Budget			Deviation		
		ADB loan	Receipts from the government of the Republic of Kazakhstan	Total	ADB loan	Receipts from the government of the Republic of Kazakhstan	Total	ADB loan	Receipts from the government of the Republic of Kazakhstan	Total
<b>DISPOSALS</b>										
Construction works		45 415 550	6 553 318	51 968 868	45 415 550	6 553 318	51 968 868	100%	100%	100%
Consulting services		2 295 605	498 829	2 794 434	2 295 605	498 829	2 794 434	100%	100%	100%
<b>Total disposals for the Project</b>		47 711 155	7 052 147	54 763 302	47 711 155	7 052 147	54 763 302	100%	100%	100%

**Bekov A.A.**  
Deputy Chairman of the Committee for Roads of the Ministry of  
Industry and Infrastructure Development of the Republic of Kazakhstan.

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Project «Makat-Aktobe» Road Reconstruction Project Connecting CAREC Corridors 1 and 6», funded under Agreement №3416-KAZ concluded between the Government of the Republic of Kazakhstan and the Asian Development Bank

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended December 31, 2019

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended December 31, 2019

**1. GENERAL INFORMATION**

**Conditions for operating business in the Republic of Kazakhstan**

Project activities are carried out in Kazakhstan. Accordingly, the Project is exposed to the risks inherent in the economic and financial markets of Kazakhstan, which demonstrates the characteristics of a country with a developing market economy. The legal system, tax system and legislative framework continue to evolve, but are subject to various interpretations and frequent changes, which, along with other legal and financial obstacles, exacerbate the problems faced by organizations operating in Kazakhstan.

**Nature of activity**

Loan Agreement № 3416-KAZ (hereinafter referred to as the "Agreement") between the Government of the Republic of Kazakhstan (hereinafter the "Government") and the Asian Development Bank (hereinafter "ADB") was signed on December 7, 2016 and ratified on June 13, 2017 (date the beginning of the Project). ADB provides a loan in the amount of 240 300 000 US dollars (hereinafter, the "Loan") for the implementation of the Project «Makat-Aktobe» Road Reconstruction Project Connecting CAREC Corridors 1 and 6» (hereinafter, the "Project"), and payable by the Government, after the grace period, from May 15, 2022 to November 15, 2039 under the Agreement.

Revenues and expenditures for the Project from the proceeds from the ADB loan and from co-financing an external loan by the Government were planned in the amount of 47 711 155 US dollars and 7 052 147 US dollars, respectively in accordance with the approved budget for 2019. Planned budget amounts are taken at a conventional rate established by the Government of the Republic of Kazakhstan.

The aims of the Project are to improve the operational characteristics of the republican network of roads, increase transit potential and improve the socio-economic development of the Western region.

The project is implemented by the Committee of Roads of the Ministry of Industry and Infrastructure Development of the Republic of Kazakhstan, which acts as the Implementing Agency on the part of the Government of the Republic of Kazakhstan.

The Project consists of the following parts:

- a. reconstruction of section of the road with length of about 299 kilometers (156 km - 500 km) of a two-lane highway between the settlements of Aktobe and Makat, including the provision of machinery and equipment for servicing roads and ensuring road safety measures;
- b. management of the Project, construction supervision and improvement of the transport system.

The implementation of the Project is expected to be completed on December 31, 2021. The end date for the loan withdrawal period is December 31, 2021, or another date that may be periodically agreed between the Government and ADB.

**2. BASIC PRINCIPLES FOR PREPARING FINANCIAL STATEMENTS**

These financial statements have been prepared in accordance with the International Public Sector Accounting Standards "Financial reporting by the cash basis of accounting method" (hereinafter referred to as IPSAS) published by the International Federation of Accountants and in accordance with the requirements of the Asian Development Bank.

Project «Makat-Aktobe» Road Reconstruction Project Connecting CAREC Corridors 1 and 6», funded under Agreement №3416-KAZ concluded between the Government of the Republic of Kazakhstan and the Asian Development Bank

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended December 31, 2019

### 3. BASIC PROVISIONS OF ACCOUNTING POLICY

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

**Cash accounting method**

The cash basis of accounting recognizes transactions and events only when cash is received and paid out under the Project.

**Reporting currency**

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

The reason for using a currency other than the national one is the financing of the Project at the expense of the ADB Loan provided in US dollars and these financial statements have been prepared in accordance with the requirements of Section 4.05. of Loan Agreement №3416-KAZ dated December 7, 2016.

**Transactions in foreign currency**

Transactions in foreign currencies are translated into the presentation currency at the exchange rates at the dates of the transactions. Direct payments from ADB are translated into US dollars at the exchange rates set by ADB at the date of these transactions. Receipts from the Government of the Republic of Kazakhstan are translated into US dollars at the exchange rates established by the National Bank of the Republic of Kazakhstan at the date of these transactions. Foreign exchange differences arising from the translation of transactions denominated in other currencies into US dollars are provided as a net amount from changes in exchange rates.

**Categories of expenses**

The agreement defines the main categories of expenses financed by the Loan, the amount of each category, as well as the proportion of financing for each category.

The terms of the loan agreement provide for construction work and goods (machinery and equipment), consulting services and retained costs.

**Received cash**

The Government of the Republic of Kazakhstan is obliged to pay interest and the principal amount of the Loan under the terms of the Agreement. These payments are recorded in the accounts of the Government and are not reflected in these financial statements. The date of the last loan payment by the Government is November 15, 2039.

### 4. CASH

The Project has no special accounts.

### 5. DIRECT PAYMENTS

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

Direct payments to Suppliers under the ADB Project were made according to the following applications for the year ended December 31, 2019:

Application №	Cash withdrawal date	Direct payments	Total
00084	23.01.2019	32 057,50	32 057,50
00085	23.01.2019	419 460,71	419 460,71
00089	23.01.2019	265 363,04	265 363,04
00090	24.01.2019	85 972,30	85 972,30



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for the year ended December 31, 2019

00086	25.01.2019	342 356,69	342 356,69
00087	25.01.2019	282 834,79	282 834,79
00088	28.01.2019	91 615,87	91 615,87
00092	19.02.2019	179 000,00	179 000,00
00091	19.02.2019	178 607,56	178 607,56
00093	26.02.2019	1 442 492,83	1 442 492,83
00094	26.02.2019	257 644,00	257 644,00
00096	26.02.2019	228 012,09	228 012,09
00095	27.02.2019	82 604,02	82 604,02
00097	27.02.2019	73 103,64	73 103,64
00104	20.03.2019	181 742,67	181 742,67
00100	19.03.2019	362 445,51	362 445,51
00098	19.03.2019	568 508,19	568 508,19
00105	20.03.2019	181 362,55	181 362,55
00099	20.03.2019	182 572,16	182 572,16
00101	20.03.2019	116 396,68	116 396,68
00103	26.03.2019	590 965,56	590 965,56
00102	26.03.2019	834 162,80	834 162,80
00114	24.04.2019	116 544,00	116 544,00
00115	24.04.2019	113 500,00	113 500,00
00113	25.04.2019	195 373,07	195 373,07
00106	25.04.2019	316 013,45	316 013,45
00107	25.04.2019	1 181 328,80	1 181 328,80
00112	26.04.2019	657 914,19	657 914,19
00110	26.04.2019	924 389,47	924 389,47
00108	26.04.2019	567 836,14	567 836,14
00109	29.04.2019	181 255,47	181 255,47
00111	29.04.2019	295 068,67	295 068,67
00121	28.05.2019	156 193,03	156 193,03
00117	28.05.2019	118 842,00	118 842,00
00116	28.05.2019	139 987,00	139 987,00
00124	28.05.2019	83 736,32	83 736,32
00120	29.05.2019	525 282,96	525 282,96
00125	29.05.2019	552 080,16	552 080,16
00127	29.05.2019	880 633,42	880 633,42
00119	29.05.2019	192 929,52	192 929,52
00128	29.05.2019	282 834,57	282 834,57
00126	29.05.2019	177 312,55	177 312,55
00123	29.05.2019	281 608,37	281 608,37
00122	29.05.2019	938 257,64	938 257,64
00132	24.06.2019	437 314,75	437 314,75
00118	24.06.2019	792 803,18	792 803,18
00131	25.06.2019	137 610,50	137 610,50



Project «Makat-Aktobe» Road Reconstruction Project Connecting CAREC Corridors 1 and 6», funded under Agreement №3416-KAZ concluded between the Government of the Republic of Kazakhstan and the Asian Development Bank

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended December 31, 2019

00139	25.06.2019	129 566,82	129 566,82
00140	25.06.2019	132 275,81	132 275,81
00134	26.06.2019	1 199 169,88	1 199 169,88
00138	26.06.2019	69 833,94	69 833,94
00133	26.06.2019	1 291 039,13	1 291 039,13
00129	26.06.2019	464 872,77	464 872,77
00136	26.06.2019	783 924,36	783 924,36
00135	27.06.2019	389 909,52	389 909,52
00137	27.06.2019	254 892,64	254 892,64
00142	18.07.2019	468 422,62	468 422,62
00150	18.07.2019	139 500,00	139 500,00
00130	18.07.2019	1 796 280,37	1 796 280,37
00149	18.07.2019	118 546,19	118 546,19
00144	18.07.2019	238 439,56	238 439,56
00141	18.07.2019	81 298,07	81 298,07
00147	19.07.2019	832 898,88	832 898,88
00143	19.07.2019	792 582,43	792 582,43
00145	19.07.2019	1 325 892,73	1 325 892,73
00148	22.07.2019	271 172,93	271 172,93
00146	22.07.2019	431 680,51	431 680,51
00152	21.08.2019	235 443,62	235 443,62
00155	21.08.2019	122 475,10	122 475,10
00162	21.08.2019	134 748,00	134 748,00
00151	22.08.2019	778 061,86	778 061,86
00153	22.08.2019	110 912,31	110 912,31
00154	22.08.2019	404 738,96	404 738,96
00156	22.08.2019	396 518,81	396 518,81
00158	22.08.2019	1 415 074,18	1 415 074,18
00160	22.08.2019	1 057 656,40	1 057 656,40
00159	23.08.2019	457 766,81	457 766,81
00161	23.08.2019	342 144,61	342 144,61
00198	28.08.2019	1 960 000,81	1 960 000,81
00163	25.09.2019	295 517,00	295 517,00
00170	25.09.2019	135 865,72	135 865,72
00173	26.09.2019	1 277 355,51	1 277 355,51
00169	26.09.2019	106 180,32	106 180,32
00165	26.09.2019	147 679,17	147 679,17
00167	26.09.2019	56 102,34	56 102,34
00171	26.09.2019	1 277 858,49	1 277 858,49
00164	27.09.2019	486 454,61	486 454,61
00175	27.09.2019	1 992 684,74	1 992 684,74
00168	27.09.2019	582 669,96	582 669,96
00166	27.09.2019	184 800,87	184 800,87

Project «Makat-Aktobe» Road Reconstruction Project Connecting CAREC Corridors 1 and 6», funded under Agreement №3416-KAZ concluded between the Government of the Republic of Kazakhstan and the Asian Development Bank

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for the year ended December 31, 2019

00172	27.09.2019	411 077,00	411 077,00
00174	27.09.2019	410 915,18	410 915,18
00178	28.10.2019	886 545,76	886 545,76
00187	29.10.2019	820 123,35	820 123,35
00182	29.10.2019	250 958,18	250 958,18
00181	29.10.2019	467 815,41	467 815,41
00186	29.10.2019	84 582,51	84 582,51
00185	30.10.2019	286 148,53	286 148,53
00184	30.10.2019	884 322,26	884 322,26
00180	30.10.2019	799 101,69	799 101,69
00189	19.12.2019	12 725,38	12 725,38
<b>Total</b>			<b>47 711 155,00</b>

**6. UNUSED LOAN PART**

The unused portion of the Loan from ADB is **131 267 490** US dollars December 31, 2019 (in 2017: 214 885 939 US dollars, in 2018: 178 978 645 US dollars).

**7. DATE OF ISSUE**

These financial statements have been approved for release by the Deputy Chairman of the Committee for Roads of the Ministry of Industry and Infrastructure Development of the Republic of Kazakhstan on May 30, 2020.