

**PROJECT “ENERGY EFFICIENCY FACILITY FOR  
INDUSTRIAL ENTERPRISES” CREDIT №4745-UZ**

**INDEPENDENT AUDITORS’ REPORT  
AND SPECIAL FINANCIAL STATEMENTS  
FOR THE PERIOD FROM 1 JANUARY TILL 5 JULY 2016**

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## INDEPENDENT AUDITORS' REPORT

**To Management of Project Coordination Group  
Under Ministry of Economy of Republic of Uzbekistan**

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We have audited the attached Special Financial Statements (hereinafter – “Financial Statements”) of the Project “Energy Efficiency Facility for Industrial Enterprises” (hereinafter – “the Project”) financed by the funds of Credit №4745-UZ by International Development Association (hereinafter – the “association”, “IDA”), according to the Financing Agreement as of 18 August 2011 №4745-UZ (hereinafter – the “Financing Agreement”), for the period from January 01, 2016 to July 5, 2016. Financial Statements include: Statement of Sources and Uses of Funds, Statement of Uses of Funds by Implementing Agencies on Expenditure Types, Special Purpose Balance Sheet, Statements of Designated Accounts, SOE Withdrawal Schedule and Notes to Financial Statements.

Financial statements are prepared by management of Project Coordination Unit (hereinafter – “the PCU”) on the cash flow basis in accordance with International Public Sector Accounting Standards (hereinafter – “IPSAS”) issued by the International Public Sector Accounting Standards Board of the International Federation of Accountants.

### ***Management’s responsibility for financial statements***

Management is responsible for preparation and fair presentation of these Financial Statements in accordance with International Public Sector Accounting Standard (IPSAS): “Financial reporting under the cash flow basis of accounting”. The Project’s policy assumes that attached report is prepared on the basis of receipts and disbursements of cash items. Under this principle financing is recognized when it is received rather than when accrued, while expenses are recognized when they are paid rather than when incurred.

### ***Auditor’s 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 (ISA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 preparation and fair presentation of the Project’ 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 the Project’s 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.



**Opinion**

In our opinion, the above-stated Special Purpose Financial Statements give a true and fair view of the sources and uses of the «Energy Efficiency Facility for Industrial Enterprises» Project's funds for the period from 1 January till 5 July, 2016 and complies with conditions of the Financing Agreement and IPSAS.

Moreover, (a) with respect to SOFs, adequate supporting documentation has been maintained to support claims to the Association for reimbursement of expenditures incurred; and (b) the expenditures comply with objectives stipulated in the Financing Agreement.

**Restriction on use**

This report is intended solely for presentation of information and use by the Management of the Project, IDA and the Government of the Republic of Uzbekistan, and cannot be used by any third party other than abovementioned.

AO «Grant Thornton» LLC  
November 11, 2016  
Tashkent, Uzbekistan



STATEMENT OF SOURCES AND USES OF FUNDS  
FOR THE PERIOD FROM 1 JANUARY TILL 5 JULY 2016

	Actual		Planned		Deviation	
	Current total	Cumulative total	Current period	Cumulative total	Current period	Cumulative total
<b>Opening Cash balance on January 01, 2016</b>						
USD Designated Account of JSCB "Asaka"	1 071 054					
USD Designated Account of JSCB "HamkorBank"	1 589 299					
USD Designated Account of JSCB "Uzpromstroybank"	-					
UZS Loan Account of JSCB "UzpromstroyBank"	-					
USD Designated Account of PCU	34 977					
UZS Designated Account of PCU	-					
<b>Total</b>	<b>2 695 330</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Add:</b>						
<b>Sources of funds</b>						
<b>JSCB «Asaka»</b>						
Replenishment of Designated Account	-	8 000 000	-	8 000 000	-	-
Co-financing by the Bank	326 109	1 999 934	-	2 000 000	326 109	(66)
Financed by PB, to be reimbursed by IDA	-	-	-	-	-	-
<b>JSCB «Hamkorbank»</b>						
Replenishment of Designated Account	-	8 000 000	-	8 000 000	-	-
Co-financing by the Bank	397 325	2 001 250	-	2 000 000	397 325	1 250
<b>JSCB «Uzpromstroybank»</b>						
Replenishment of Designated Account	-	8 000 000	-	8 000 000	-	-
Reimbursement	-	-	-	-	-	-
Co-financing by the Bank	-	2 192 873	-	2 000 000	-	192 873
Financed by PB, to be reimbursed by IDA	-	-	-	-	-	-
<b>PCU</b>						
Replenishment of Designated Account	(29 626)	231 393	-	730 000	(29 626)	(498 607)
<b>Total</b>	<b>693 808</b>	<b>30 425 450</b>	<b>-</b>	<b>30 730 000</b>	<b>693 808</b>	<b>(304 550)</b>
<b>Foreign Exchange Difference</b>	-	(3 865)				
<b>Total</b>	<b>-</b>	<b>(3 865)</b>				
<b>Less:</b>						
<b>Uses of Funds</b>						
<b>JSCB «Asaka»</b>						
Sub-Loan	1 397 163	9 999 934	-	10 000 000	1 397 163	(66)
<b>JSCB «Hamkorbank»</b>						
Sub-Loan	1 986 624	10 001 250	-	10 000 000	1 986 624	1 250
<b>JSCB «Uzpromstroybank»</b>						
Sub-Loan	-	10 189 030	-	10 000 000	-	189 030
<b>PCU</b>						
Goods	-	9 728	-	30 000	-	(20 272)
Consulting Services	4 190	134 916	-	150 000	4 190	(15 084)
Capacity building in the energy effectiveness	-	1 011	-	300 000	-	(298 989)

STATEMENT OF SOURCES AND USES OF FUNDS ON LOAN №4745-UZ  
FOR THE PERIOD FROM 1 JANUARY TILL 5 JULY, 2016

	Actual		Planned		Deviation	
	Current total	Cumulative total	Current period	Cumulative total	Current period	Cumulative total
Information strategy	-	-	-	150 000	-	(150 000)
Audit	-	28 750	-	45 000	-	(16 250)
Operating expenses	1 161	56 966	-	55 000	1 161	1 966
<b>Total</b>	<b>3 389 138</b>	<b>30 421 585</b>	<b>-</b>	<b>30 730 000</b>	<b>3 389 138</b>	<b>(308 415)</b>

Balance as of July 05, 2016

USD Designated Account of JSCB "Asaka"	-
USD Designated Account of JSCB "Hamkorbank"	-
USD Designated Account of JSCB "Uzpromstroybank"	-
UZS Loan Account of JSCB "UzpromstroyBank"	-
USD Designated Account of PCU	-
UZS Designated Account of PCU	-
<b>Total</b>	<b>-</b>

Signed on behalf of the Project Management on November 11, 2016.

Director of PCU EEFFIE under Ministry of Economy of the Republic of Uzbekistan

A. Alimbaev



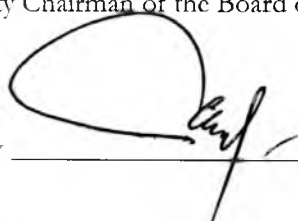
PCU FM Specialist

N. Rakhmanova



First Deputy Chairman of the Board of JSCB «Asaka»

R. Kasimov

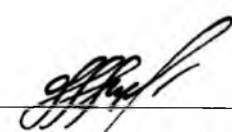


Manager



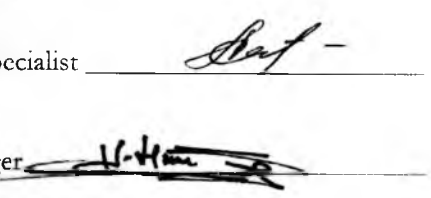
Deputy Chairman of JSCB «Uzpromstroybank»

Sh. Yakubov



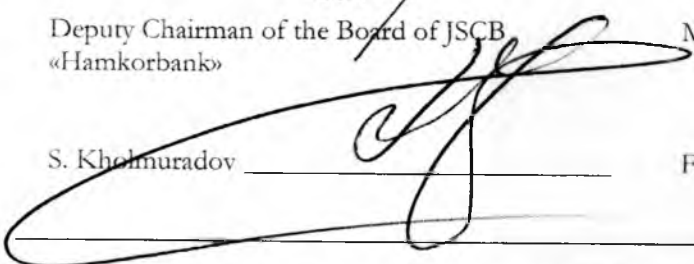
FM Specialist

Manager



Deputy Chairman of the Board of JSCB «Hamkorbank»

S. Kholmuradov



FM Specialist

Manager



STATEMENT OF USES OF FUNDS BY TYPES  
FOR THE PERIOD FROM 1 JANUARY TILL 5 JULY 2016

	Actual		Planned		Deviation	
	Current total	Cumulative total	Current period	Cumulative total	Current period	Cumulative total
<b>1. JSCB «Asaka»</b>	<b>1 397 163</b>	<b>9 999 934</b>	-	<b>10 000 000</b>	<b>1 397 163</b>	<b>(66)</b>
Sub-Loans	1 397 163	9 999 934	-	10 000 000	1 397 163	(66)
<b>2. JSCB «Hamkorbank»</b>	<b>1 986 624</b>	<b>10 001 250</b>	-	<b>10 000 000</b>	<b>1 986 624</b>	<b>1 250</b>
Sub-Loans	1 986 624	10 001 250	-	10 000 000	1 986 624	1 250
<b>3. JSCB «Uzpromstroybank»</b>	-	<b>10 189 030</b>	-	<b>10 000 000</b>	-	<b>189 030</b>
Sub-Loans	-	10 189 030	-	10 000 000	-	189 030
<b>4. PSU</b>	<b>5 351</b>	<b>231 371</b>	-	<b>730 000</b>	<b>5 351</b>	<b>(498 629)</b>
<b>Development of EE Capacity</b>						
Goods	-	9 728	-	30 000	-	(20 272)
Consulting services	4 190	134 916	-	150 000	4 190	(15 034)
Capacity building in the sphere of energy efficiency	-	1 011	-	300 000	-	(298 989)
Information Strategy	-	-	-	150 000	-	(150 000)
Audit	-	28 750	-	45 000	-	(16 250)
Operating expenses	1 161	56 966	-	55 000	1 161	1 966
<b>Total Project Expenditures</b>	<b>3 389 138</b>	<b>30 421 585</b>	-	<b>30 730 000</b>	<b>3 389 138</b>	<b>(308 415)</b>

Signed on behalf of the Project Management on November 11, 2016.

Director of PCU EEFIE under Ministry of Economy of the Republic of Uzbekistan

PCU FM Specialist

A. Alimbaev

N. Rakhmanova

First Deputy Chairman of the Board of JSCB «Asaka»

Manager

R. Kasimov

FM Specialist

Deputy Chairman of JSCB «Uzpromstroybank»

Manager

Sh. Yakubov

FM Specialist

Deputy Chairman of the Board of JSCB «Hamkorbank»

Manager

S. Kholmuradov

FM Specialist

BALANCE SHEET  
FOR THE PERIOD FROM 1 JANUARY TILL 5 JULY,2016

	July 5,2016	December 31,2015
<b>Assets</b>		
<b>Cash and cash equivalents, including:</b>	-	2 695 331
Designated account	-	2 695 331
Loan Account	-	-
<b>Использованные средства, в том числе:</b>	<b>30 421 585</b>	<b>27 032 445</b>
PCU	231 371	226 018
JSCB «Asaka»	9 999 934	8 602 771
JSCB «Hamkorbank»	10 001 250	8 014 626
JSCB «Uzpromstroybank»	10 189 030	10 189 030
Foreign exchange difference	3 865	3 865
<b>TOTAL ASSETS</b>	<b>30 425 450</b>	<b>29 731 641</b>
<b>FUNDING</b>		
<b>IDA Credit allocated to Participating Banks, including:</b>	<b>24 000 000</b>	<b>24 000 000</b>
JSCB «Asaka»	8 000 000	8 000 000
JSCB «Hamkorbank»	8 000 000	8 000 000
JSCB «Uzpromstroybank»	8 000 000	8 000 000
IDA Credit allocated to PCU	231 393	261 018
<b>Co-financing by Participating Banks, including:</b>	<b>6 194 057</b>	<b>5 470 623</b>
JSCB «Asaka»	1 999 934	1 673 825
JSCB «Hamkorbank»	2 001 250	1 603 925
JSCB «Uzpromstroybank»	2 192 873	2 192 873
<b>Financed by PB, to be reimbursed by IDA</b>	-	-
JSCB «Asaka»	-	-
JSCB «Uzpromstroybank»	-	-
<b>TOTAL FUNDING</b>	<b>30 425 450</b>	<b>29 731 641</b>

Signed on behalf of the Project Management on June 20, 2016.

Director of PCU EEFFIE under Ministry of Economy  
of the Republic of Uzbekistan  
A. Alimbaev \_\_\_\_\_

PCU FM Specialist  
N. Rakhmanova \_\_\_\_\_

First Deputy Chairman of the Board of JSCB  
«Asaka» \_\_\_\_\_

Manager \_\_\_\_\_

R. Kasimov \_\_\_\_\_

FM Specialist \_\_\_\_\_

Deputy Chairman of JSCB «Uzpromstroybank» \_\_\_\_\_

Manager \_\_\_\_\_

Sh. Yakubov \_\_\_\_\_

FM Specialist \_\_\_\_\_

Deputy Chairman of the Board of JSCB  
«Hamkorbank» \_\_\_\_\_

Manager \_\_\_\_\_

S. Kholmuradov \_\_\_\_\_

FM Specialist \_\_\_\_\_



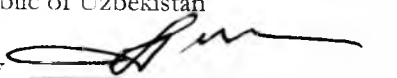
USD DESIGNATED ACCOUNT STATEMENT OF PCU  
For THE PERIOD FROM 1 JANUARY TILL 5 JULY,2016

Account №	2020 3840 7001 0102 1004
Depository bank	Mehnat Branch of the JSCIB "Ipotekabank"
Address	100035, Uzbekistan, Tashkent city, st. Xorazm 9
Type of account	Designated account of Agency in USD
Corresponding loan	Loan №4745-UZ
Currency	US Dollars
<b>Balance as of January 01, 2016</b>	<b>34 977</b>
<i>Increase:</i>	
IDA financing	-
<b>Total increase:</b>	<b>-</b>
<i>Decrease:</i>	
Return of unused funds to IDA	29 626
Consulting services	4 190
Operating expenses	1 161
<b>Total decrease:</b>	<b>34 977</b>
<b>Balance as of July 05, 2016</b>	<b>-</b>

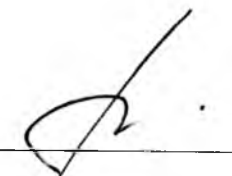
Signed on behalf of the Project Management on June 08, 2016.

Director of PCU EEFFIE under Ministry of Economy of the Republic of Uzbekistan      PCU FM Specialist

A. Alimbaev



N. Rakhmanova



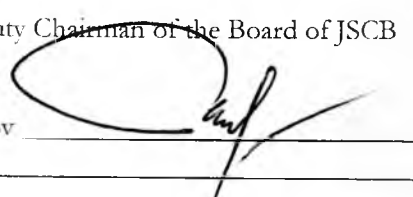
USD DESIGNATED ACCOUNT STATEMENT OF JSCB «ASAKA»  
For THE PERIOD FROM 1 JANUARY TILL 5 JULY,2016

Account №	2130 2840 5000 0087 3002
Depository bank	Central Bank of RUz
Address	100001, Tashkent city, Uzbekistan Avenue, 6
Type of account	Bank special account in USD
Corresponding loan	Loan №4745-UZ
Currency	US Dollars
<b>Balance as of January 01, 2016</b>	<b>1 071 054</b>
<i>Increase:</i>	
IDA financing	-
<b>Total increase</b>	<b>-</b>
<i>Decrease:</i>	
Sub-loans issued	1 071 054
<b>Total decrease</b>	<b>1 071 054</b>
<b>Balance as of July 05, 2016</b>	<b>-</b>

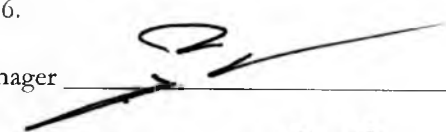
Signed on behalf of the Project Management on June 20, 2016.

First Deputy Chairman of the Board of JSCB  
«Asaka»

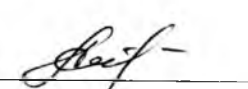
R. Kasimov



Manager



FM Specialist



USD DESIGNATED ACCOUNT STATEMENT OF JSCB «HAMKORBANK»  
For THE PERIOD FROM 1 JANUARY TILL 5 JULY, 2016

Account №	2130 2840 5000 0008 3003
Depository bank	Central Bank of RUz
Address	100001, Tashkent city, Uzbekistan Avenue, 6
Type of account	Bank special account in USD
Corresponding loan	Loan №4745-UZ
Currency	US Dollars
<b>Balance as of January 01, 2016</b>	<b>1 589 299</b>
<i>Increase:</i>	
IDA financing	-
<b>Total increase</b>	<b>-</b>
<i>Decrease:</i>	
Sub-loans issued	1 589 299
<b>Total decrease</b>	<b>1 589 299</b>
<b>Balance as of July 05, 2016</b>	<b>-</b>

Signed on behalf of the Project Management on June 20, 2016

Deputy Chairman of the Board of JSCB  
«Hamkorbank»

Manager

S. Kholmuradov

FM Specialist

**USD DESIGNATED ACCOUNT STATEMENT OF JSCB «UZPROMSTROYBANK»  
For THE PERIOD FROM 1 JANUARY TILL 5 JULY, 2016**

Account №	2130 2840 9000 0044 0002
Depository bank	Central Bank of RUz
Address	100001, Tashkent city, Uzbekistan Avenue, 6
Type of account	Bank special account in USD
Corresponding loan	Loan №4745-UZ
Currency	US Dollars
<b>Balance as of January 01, 2016</b>	-
<i>Increase:</i>	
IDA financing	-
<b>Total increase</b>	-
<i>Decrease:</i>	
Sub-loans issued	-
<b>Total decrease</b>	-
<b>Balance as of July 05, 2016</b>	-

Signed on behalf of the Project Management on June 20, 2016.

Deputy Chairman of JSCB «Uzpromstroybank»

Manager

Sh. Yakubov

FM Specialist

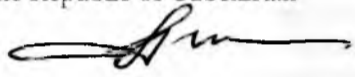
STATEMENT OF WITHDRAWAL OF FUNDS FROM IDA ACCOUNT BY FUND REQUEST  
For the period from January 01, 2016 to July 5, 2016

Request number	Categories of disbursements of funds		Documentation of the preceding advance in designated account	Reimbursed in 2016
	Component A	Component B		
<b>PCU</b>				
40	-	(29 626)	-	(29 626)
44	-	5 374	5 374	-
<b>Total</b>	-	<b>(24 252)</b>	<b>5 374</b>	<b>(29 626)</b>
<b>JSCB "Asaka"</b>				
45	1 117 730	-	1 117 730	-
<b>Total</b>	<b>1 117 730</b>	-	<b>1 117 730</b>	-
<b>JSCB "Hamkorbank"</b>				
43A	1 505 884	-	1 505 884	-
<b>Total</b>	<b>1 505 884</b>	-	<b>1 505 884</b>	-
<b>JSCB "Uzpromstroybank"</b>				
42A	73 182	-	73 182	-
42B	-	1 526 818	1 526 818	-
<b>Total</b>	<b>73 182</b>	<b>1 526 818</b>	<b>1 600 000</b>	-
<b>TOTAL</b>	<b>2 696 797</b>	<b>1 502 566</b>	<b>4 228 989</b>	<b>(29 626)</b>

Signed on behalf of the Project Management on November 11, 2016

Director of PCU EEFIE under Ministry of Economy of the Republic of Uzbekistan

A. Alimbaev



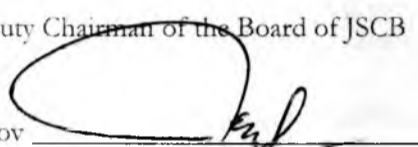
PCU FM Specialist

N. Rakhmanova



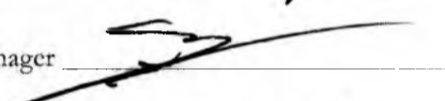
First Deputy Chairman of the Board of JSCB «Asaka»

R. Kasimov



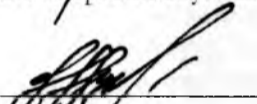
Manager

FM Specialist



Deputy Chairman of JSCB «Uzpromstroybank»

Sh. Yakubov



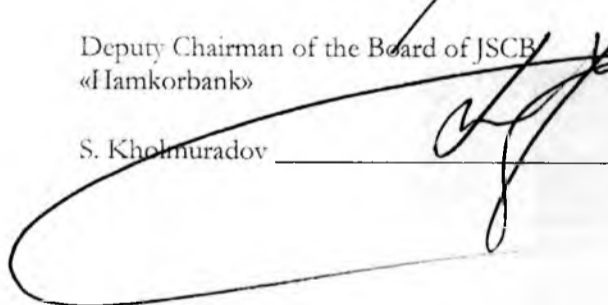
Manager

FM Specialist



Deputy Chairman of the Board of JSCB «Hamkorbank»

S. Kholmuradov



Manager

FM Specialist




management);

- Participating banks JSCB «Asaka», JSCB «Hamkorbank» and JSCB «Uzpromstroybank», which are imposed a responsibility for purposeful and effective implementation of refinanced part of IDA credit and implementation of the component "Credit Line to Participating Banks".

To ensure effective implementation of the project, a Project Coordination Unit (hereinafter – "the PCU") under Ministry of Economy of RUz was created, while a Project Implementation Unit (hereinafter – "the PIU") was created in each of Participating Banks.

Based on requirements of the Resolution of Cabinet of Ministers, Ministry of Economy of the Republic of Uzbekistan jointly with MOF and Participating Banks developed and approved with IDA a Project Operational Manual (POM), which specifies the manner of issuing loans, criteria for selection and assessment of sub-projects, as well as procedures for financial management, procurement, monitoring and assessment of Project implementation progress.

In accordance with Financing Agreement, repayment of IDA credit is carried out on the account of Participating Banks in part of refinanced credit portion. Repayment of credit in part of the Project Component "A" "Development of Energy Efficiency and Project Management" is carried out on the account of public budget.

## PROJECT DESCRIPTION (CONTINUATION)

The Project consists of the following components:

### Part A: Capacity building in the sphere of energy efficiency

1. Development of the energy efficiency strategy for industrial enterprises in Uzbekistan, through the provision of consulting services.
2. Development of an energy efficiency communication strategy and outreach programs, through the provision of consulting services.
3. Enhancing the energy efficiency capacity of certain areas of industry, banks, industrial associations and energy professionals, through the provision of consulting services and Training.
4. Strengthening the capacity of Ministry of Economy and PCU for Project management, coordination and monitoring and evaluation of the Project through provision of goods, consulting services and Training.

### Part B: Credit line for Participating Banks

Development and application of lending mechanism of Participating banks to issue sub-loans to borrowers, which will allow the latter to cover expenses related to implementation of projects on increasing industrial energy efficiency.

According to the Financing Agreement, IDA funds allocated for the Project implementation are intended for financing the following components:

Component	Allocated Loan amount (SDR)	Allocated Loan amount (\$)	Percentage of expenditure financing
<b>Part A: Development of Energy Efficiency Capacity</b>			
Goods, consultants' services, Training and Incremental Operating Costs	700 000	1 000 000	100%
<b>Part B: Credit Line to Participating Banks</b>			
Sub-loans for Sub-projects	15 800 000	24 000 000	80%
<b>Total</b>	<b>16 500 000</b>	<b>25 000 000</b>	

According to the Procurement plan approved on September 17, 2012 by World Bank, the Project components consist of the following expenditure items:

Component		Allocated Loan amount (SDR)	Allocated Loan amount (\$)
<b>Part A. Increasing potential in the sphere of energy efficiency</b>			
1	Goods( office equipment, vehicles, computers, fax, copiers, printer)	21 000	30 000
2	Communication strategy, including:	105 000	150 000
	development of communication strategy	28 000	40 000
	Implementation of communication strategy	77 000	110 000
3	Energy efficiency strategy	189 000	270 000
4	Energy Efficiency Capacity Building	210 000	300 000
	conducting 27 one-day seminars for manufacturing sector	94 500	135 000
	training energy efficiency specialists	80 500	115 000
	training PCU specialists	35 000	50 000
5	Project management	175 000	250 000
	Payment of personnel salaries	122 696	175 280
	Audit	36 610	52 300
	Operating expenses	15 694	22 420
<b>Total Part A</b>		<b>700 000</b>	<b>1 000 000</b>
<b>Part B. Credit line to participating Banks</b>			
1	Sub-loans of JSCB "Asaka"	5 266 667	8 000 000
2	Sub-loans of JSCB "Hamkorbank"	5 266 667	8 000 000
3	Sub-loans of JSCB "Uzpromstroybank"	5 266 667	8 000 000
<b>Total Part B</b>		<b>15 800 000</b>	<b>24 000 000</b>
<b>TOTAL</b>		<b>16 500 000</b>	<b>25 000 000</b>

### DISCONTINUED OPERATIONS

According to the Financing Agreement of August 18, 2011 between the Republic of Uzbekistan and the International Development Association for the project to improve IDA Credit №4745-UZ profit closed January 31, 2016 the energy efficiency of industrial enterprises of the year. Date of receipt of withdrawal applications ended May 31, 2016. Last transaction on the account was held July 5, 2016.

## ACCOUNTING POLICY

### Basis for presentation of financial statements

These Special Purpose Financial Statements have been prepared, in accordance with requirements of International Public Sector Accounting Standards (hereinafter - IPSAS) issued by the International Public Sector Accounting Standards Board of the International Federation of Accountants, following the cash flow basis and compliant with the World Bank recommendations.

Statement of Sources and Uses of Funds, Statement of Uses of Funds by Implementing Agencies on Expenditure Types, Special Purpose Balance Sheet, Designated Accounts Statements and the accompanying Notes are developed on cash flow basis to reflect operations conducted within the Project's frames in accordance with below-stated principles.

### Financing

Financing for Designated accounts is recognized when funds are transferred from IDA Credit account to the Project Designated accounts opened in the Mehnat Branch of the JSCIB Ipotekabank, Tashkent and Central Bank of the Republic of Uzbekistan (hereinafter – CBU).

Financing by the Participating Banks is recognized when loans are disbursed to the borrower from the Participating Banks accounts («Co-financing accounts»).

### Expenditure of funds

Project expenditures are recognized and entered in the Project Financial Statements generated on the cash basis when:

- Payments to the suppliers of goods or services are made from the Project Designated accounts opened in the Mehnat Branch of the JSCIB Ipotekabank in Tashkent City;
- Sub-loans to the borrowers are disbursed from the Project Designated accounts opened by the Participating Banks in CBU, in line with the IDA requirements;
- Sub-loans to the borrowers are disbursed from the Project co-financing accounts opened in the Participating Banks..

### Reporting currency and currency conversion method

As financing from IDA is carried out in United States Dollars (hereinafter "USD"), the Special Purpose Financial Statements also presented in USD which is the functional and presentation currency of Project. Items included in the Financial Statements are measured using that functional currency.

While developing the Project Financial Statements the following exchange rate principles were used:

- For IDA-funded credit: all revenues and expenditures in National currency (UZS) are converted in USD at the appropriate CBU exchange rate on the date of a receipt or expenditure and disbursed sub-loans;
- For financing of the Participating Banks: sub-loans disbursed in national currency (UZS) are converted in USD at the appropriate CBU exchange rate on the date of disbursement.

UZS balances in Project's bank accounts are revalued at the rate of CBU effective at the reporting date. As at 5 July 2016 the CBU's UZS/USD exchange rate was UZS 2948,59 / USD 1.



## PRESENTATION OF FINANCIAL STATEMENTS

### Statement of Sources of Financing

Report received and paid tools includes information about funding from the IDA and the participating banks. In the reporting period the return of unused funds Project IDA credit was 29,626 US dollars. Project funding from the participating banks amounted to 723,434 US dollars. The funds used to finance the costs of the project, in particular:

- return unused funds to the PCU of the "A" component of the project will amount to \$ 29,626 US.;;
- funding sub-loans in the US component of the "B" project amounted to 3,383,786 USD., Including the expense of the participating banks 723 434 US dollars.

Also, this report includes information on the balance of cash at the beginning and end of the reporting period. Cash balances are the remnants of funds for IDA funds in the amount of \$ 0.

### Statement of uses of funds by the implementing bodies by expense categories

Statement of Uses of Funds by Implementing Agencies on Expenditure Types includes break-down by Project expenditures for each Implementing Agency, category of expenditures, as well as Project budget for the reporting period and difference between actual expenditures and budgeted. Project budget is based on the Procurement Plan approved by the World Bank.

### Balance sheet

Balance sheet is based on the cash method and includes following data:

- Assets - "Cash and cash equivalents" and "Total Uses of Funds" by the Implementing Agencies;
- Funding - cumulative Project financing from all sources by the Implementing Agencies.

Item "Cash and cash equivalents" includes remaining cash from IDA-funded credit. Item "Total Uses of Funds" includes all expenditures related to the Project implementation and funded from all sources.

## FIXED ASSETS

Fixed assets procured by the Project with the purposes of effective achievement of the Project objectives are entered to the Cost Records right after being received. For the purposes of this financial reporting all the PPE recorded at the fair value and are not being depreciated. Fixed assets include assets purchased for the operational needs of PCU.

Below is the list of fixed assets administered by the PCU:

	Balance as of 01.01.2016	Revaluation	Acquisition	Disposal	Balance as of 05.07.2016
Computer equipment	6 091,86	-	-	-	6 091,86
Office equipment	530,49	125,33	-	-	655,82
Furniture	3 069,84	141,33	-	-	3 211,17
<b>Total</b>	<b>9 692,19</b>	<b>266,66</b>	-	-	<b>9 958,85</b>

## CASH AND CASH EQUIVALENTS

For the purposes of Project implementation, the Project Implementing Agencies have opened number of accounts both in USZ and USD. In line with the IDA requirements the Participating Banks opened accounts in CBU.

Project Implementing Agencies have opened the following accounts:

### In Mehnat branch of JSCIB «Ipoteka Bank» in Tashkent city:

Name	Account Number
PCU Special USD Account	2020 3840 7001 0102 1004
PCU Special UZS Account	2020 3000 4001 0102 1002

### In Central Bank of the Republic of Uzbekistan:

Name	Account Number
Special USD Account of JSCB "ASAKA"	2130 2840 5000 0087 3002
Special USD Account of JSCB "HAMKORBANK"	2130 2840 5000 0008 3003
Special USD Account of JSCB "UZPROMSTROYBANK"	2130 2840 9000 0044 0002

In addition to these accounts, granting sub-loans for borrowers who use their own account ("co-financing accounts"), participating banks. According to the Financing Agreement, the participating banks at the expense of its own funds financed 20% of the allocated sub-loans. Appointment of Project accounts is given below.

### Designated accounts of PCU

PCU maintains two Designated accounts for financing eligible expenditures: in USD and UZS. Both accounts are opened in the Mehnat Branch of the JSIB "Ipotekabank" in Tashkent City.

In THE PERIOD FROM 1 JANUARY TILL 5 JULY,2016, Designated accounts were used for payment of salaries to consultants, for acquisition of office equipment and for payment of other operating expenses.

During the reporting period 29 626 USD were received from IDA account to Designated Account in USD of Participating Banks in form of financing. 5 351 USD were used to cover PCU expenditures

## CASH AND CASH EQUIVALENTS (CONTINUATION)

### Designated accounts of Participating Banks

The project has three special accounts of participating banks in the US dollar opened at the Central Bank of the Republic of Uzbekistan. In THE PERIOD FROM 1 JANUARY TILL 5 JULY, 2016 the Special accounts were used for the issuance of sub-loans for the implementation of the "B" component of the project "Credit Line for the Participating banks."

During the reporting period due to the credit IDA sub-loans granted in the amount of 2,660,352 US dollars of funds advances received from the IDA account.

### Co-financing accounts of Participating Banks

Co-financing accounts are owned by the Participating Banks and used for disbursement of sub-loans for implementation of the Project component «B» «Credit Line to Participating Banks». During the reported period the Participating Banks have disbursed co-financed sub-loans for total of USD 723 434.

Balances of the Project's bank accounts are summarized in the following table:

	in USD	In UZS(000)
<b>Balance as of January 01, 2016</b>		
Designated account PCU in USD	34 977	98 284
Designated account PCU in UZS	-	-
Designated account JSCB "Asaka" in USD	1 071 054	3 009 641
Designated account JSCB "Hamkorbank" in USD	1 589 299	4 465 897
Designated account JSCB "Uzpromstroybank" in USD	-	-
Loan account JSCB "Uzpromstroybank" in UZS	-	-
<b>Total</b>	<b>2 695 330</b>	<b>7 573 822</b>
<b>Balance as of July 05, 2016</b>		
Designated account PCU in USD	-	-
Designated account PCU in UZS	-	-
Designated account JSCB "Asaka" in USD	-	-
Designated account JSCB "Hamkorbank" in USD	-	-
Designated account JSCB "Uzpromstroybank" in USD	-	-
Loan account JSCB "Uzpromstroybank" in UZS	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

## STATEMENT OF EXPENDITURE (SOE) PROCEDURES

Statements of expenditure procedure is used to compensate for project funds to a special account in accordance with the Agreement on financing and the requirements of the Operational Guidelines.

Summary of credited and refund procedure according to the statements of expenditure presented in the following table

**SUB-LOANS**

In order to implement the component "B" Project "Credit line participating bank" for the period from January 1, 2016 on July 5, 2016, the project issued by sub-loans to borrowers in the amount of 3,383,786 US dollars, including from IDA - 2,660,352 USD US funds and the participating banks - 723,434 US.

Below information on the issued subcredits is provided in analytics on each of the Participating Banks:

Participating Bank / Borrower	Purpose of the sub-loans	Allocated credit funds at the expense	
		IDA	Participating banks
<b>JSCB «Asakabank»</b>			
JSC «Uzpaxtasanoat»	Decrease in energy consumption	1 071 054	326 109
<b>Total on JSCB «Asaka»:</b>		<b>1 071 054</b>	<b>326 109</b>
<b>JSCB «Hamkorbank»</b>			
JSC Qizilqumsement	Acquisition of modern compressors	1 000 844	250 211
JSC Uzmetkombinat	Replacing the old to the new transformer with smaller losses	588 455	147 114
<b>Total on JSCB «Hamkorbank»:</b>		<b>1 589 299</b>	<b>397 325</b>
<b>TOTAL</b>		<b>2 660 353</b>	<b>723 433</b>

\* Based on the decision of the Credit Committee of the Bank "Asaka" project of "Uzpaxtasanoat" granted loans totaling USD 1 860.0 thousand..., Including the expense of the pilot project, IDA US \$ 1 071.0 thousand..., means additional IDA financing 370.3 thousand. USD. and own funds of the bank in the amount of 418.7 thousand. USD. "Asaka". The share of co-financing on the part of "Asaka" bank amounted to 22.5% of the amount of the contract, or by 2.5% more than the minimum amount of co-financing. According to the explanation of "Asaka" bank the excess is due to the need for compensation for IDA funds previously spent, but not recognized by the World Bank due to deficiencies in payments on contracts JSC "Uztransgaz" and JSC "Tashkent yog-moy Mill".

**LEGAL STATUS, TAXES AND LEVIES**

PCU under Ministry of Economy of the Republic of Uzbekistan and PIU under Participating Banks are not legal entities and, subsequently are not business tax payers, paying only social and pension fees and contributions and also income tax for individuals contracted by the PCU.

PIU under Participating Banks employ full-time bank staff and there is no cost of payroll budgeted in the Project for them.

**RECONCILIATION OF IDA CREDIT FINANCING**

Reconciliation between Client Connection data and Project data as of July 5, 2016 is stated below:

	According to Client Connection	According to the Project data	Deviations
IDA funds	24 231 393	24 231 393	-