

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

**INDEPENDENT AUDITORS’ REPORT
AND SPECIAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

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INDEPENDENT AUDITORS' REPORT

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

We have audited the attached Special Financial Statements (hereinafter – “Financial Statements”) of the Project “Energy Efficiency Facility for Industrial Enterprises” (hereinafter – “the Project”) financed of 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 1 January 2014 to 31 December 2014. 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's 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 01 January 2014 to 31 December 2014 and complies with conditions of the Financing Agreement and IPSAS.

Moreover, (a) with respect to SOEs, 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.

In our opinion, the Designated Accounts Statements for the period from 01 January 2014 to 31 December 2014 give a true and fair view of the financial position of the Designated Accounts of the Project as at 31 December 2014 and of the cash flows for the for the year then ended and complies with the World Bank's guidelines.

Restriction on use

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

Grant Thornton LLC



June 08, 2015

Tashkent, Uzbekistan

STATEMENT OF SOURCES AND USES OF FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2014

	Actual		Planned		Deviation	
	Current period	Cumulative total	Current period	Cumulative total	Current period	Cumulative total
Opening Cash Balance						
USD Designated Account of PIU SJSCB «Asaka»	1 508 000					
USD Designated Account of PIU JSCB «HamkorBank»	64 444					
USD Designated Account of PIU JSCB «UzpromstroyBank»	1 389 600					
UZS Loan Account of PIU JSCB «UzpromstroyBank»	3 934					
USD Designated Account of PCU	37 296					
UZS Designated Account of PCU	4 016					
Total	3 007 290	-	-	-	-	-
Add:						
Sources of funds						
PIU SJSCB «Asaka»						
Replenishment of Designated Account	1 640 027	8 000 000	-	8 000 000	1 640 027	-
Co-financing by the Bank	108 000	1 673 825	-	2 000 000	108 000	(326 175)
Financed by PB, to be reimbursed by IDA	(1 644 972)	-	-	-	-	-
PIU JSCB «HamkorBank»						
Replenishment of Designated Account	1 500 000	7 700 000	-	8 000 000	1 500 000	(300 000)
Co-financing by the Bank	1 396	1 514 285	-	2 000 000	1 396	(485 715)
PIU JSCB «UzpromstroyBank»						
Replenishment of Designated Account	3 415 676	8 000 000	-	8 000 000	3 415 676	-
Reimbursement	-	-	-	-	-	-
Co-financing by the Bank	528 840	1 575 632	-	2 000 000	528 840	(424 368)
Financed by PB, to be reimbursed by IDA	(1 306 201)	-	-	-	-	-
PCU						
Replenishment of Designated Account	62 767	202 055	216 000	530 000	(153 233)	(327 945)
Total	4 305 533	28 665 797	216 000	30 530 000	7 040 706	(1 864 203)
Foreign Exchange Difference	(358)	(3 678)				
Total	(358)	(3 678)				
Less:						
Uses of Funds						
PIU SJSCB «Asaka»						
Sub-loans	540 000	8 602 771	-	10 000 000	540 000	(1 397 229)
PIU JSCB «HamkorBank»						
Sub-loans	(82 018)	7 566 427	-	10 000 000	(82 018)	(2 433 573)
PIU JSCB «UzpromstroyBank»						
Sub-loans	2 644 198	8 184 682	-	10 000 000	2 644 198	(1 815 318)
PCU						
Goods	-	8 437	-	10 310	-	(1 873)
Consulting services	41 471	94 984	38 400	101 824	3 071	(6 840)
Capacity building in the energy effectiveness	-	1 011	102 000	204 000	(102 000)	(202 990)

STATEMENT OF SOURCES AND USES OF FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUATION)

	Actual		Planned		Deviation	
	Current period	Cumulative total	Current period	Cumulative total	Current period	Cumulative total
Information strategy	-	-	40 000	120 000	(40 000)	(120 000)
Audit	10 000	20 000	10 000	34 300	-	(14 300)
Operating expenses	11 952	36 945	13 385	39 671	(1 433)	(2 727)
Contingencies	-	-	12 215	19 915	(12 215)	(19 915)
Total	3 165 603	24 515 256	216 000	30 530 020	2 949 603	(6 014 764)
Closing Cash Balance						
USD Designated Account of PIU SJSCB «Asaka»	1 071 054					
USD Designated Account of PIU JSCB «HamkorBank»	1 647 859					
USD Designated Account of PIU JSCB «UzpromstroyBank»	1 383 718					
UZS Loan Account of PIU JSCB «UzpromstroyBank»	3 576					
USD Designated Account of PCU	40 657					
UZS Designated Account of PCU	-					
Total	4 146 864					

Signed on behalf of the Project Management on June 08, 2015.

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

U. Abdullaev 

First Deputy Chairman of the Board of SJSCB
«Asaka»

R. Kasimov 


Deputy Chairman of JSCB «Uzpromstroybank»

Sh. Yakubov 

Deputy Chairman of the Board of JSCB
«Hamkorbank»

S. Kholmuradov 

PCU FM Specialist

M. Sattorova 

PIU Manager 

PIU FM Specialist 

PIU Manager 

PIU FM Specialist 

PIU Manager 

PIU FM Specialist

**STATEMENT OF USES OF FUNDS BY IMPLEMENTING AGENCIES ON EXPENDITURE
TYPES
FOR THE YEAR ENDED 31 DECEMBER 2014**

	Actual		Planned		Deviation	
	Current period	Cumulative total	Current period	Cumulative total	Current period	Cumulative total
1. PIU SJSCB «Asaka»	540 000	8 602 771	-	10 000 000	540 000	(1 397 229)
Sub-loans	540 000	8 602 771	-	10 000 000	540 000	(1 397 229)
2. PIU JSCB «Hamkorbank»	(82 018)	7 566 427	-	10 000 000	(82 018)	(2 433 573)
Sub-loans	(82 018)	7 566 427	-	10 000 000	(82 018)	(2 433 573)
3. PIU JSCB «Uzpromstroybank»	2 644 198	8 184 682	-	10 000 000	2 644 198	(1 815 318)
Sub-loans	2 644 198	8 184 682	-	10 000 000	2 644 198	(1 815 318)
4. PCU	63 423	161 376	216 000	530 020	(152 577)	(368 644)
Development of EE Capacity	63 423	161 376	216 000	530 020	(152 577)	(368 644)
Goods	-	8 437	-	10 310	-	(1 873)
Consulting services	41 471	94 984	38 400	101 824	3 071	(6 840)
Capacity building in the sphere of energy efficiency	-	1 011	102 000	204 000	(102 000)	(202 990)
Information strategy	-	-	40 000	120 000	(40 000)	(120 000)
Audit	10 000	20 000	10 000	34 300	-	(14 300)
Operating expenses	11 952	36 945	13 385	39 671	(1 433)	(2 727)
Contingencies	-	-	12 215	19 915	(12 215)	(19 915)
Total Project Expenditures	3 165 603	24 515 256	216 000	30 530 020	2 949 602	(6 014 764)

Signed on behalf of the Project Management on June 08, 2015.

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

U. Abdullaev

PCU FM Specialist

M. Sattorova

First Deputy Chairman of the Board of SJSCB
«Asaka»

R. Kasimov

PIU Manager

PIU FM Specialist

Deputy Chairman of JSCB «Uzpromstroybank»

Sh. Yakubov

PIU Manager

PIU FM Specialist

Deputy Chairman of the Board of JSCB
«Hamkorbank»

S. Kholmuradov

PIU Manager

PIU FM Specialist

**SPECIAL PURPOSE BALANCE SHEET
AS OF DECEMBER 31, 2014**

	31 December 2014	31 December 2013
ASSETS		
Cash and cash equivalents, including:	4 146 864	3 007 290
Designated Account	4 143 288	3 003 356
Loan Account	3 576	3 934
Total Uses of funds, including:	24 515 255	21 349 654
PIU	161 376	97 954
SJSCB «Asaka»	8 602 771	8 062 771
JSCB «Hamkorbank»	7 566 427	7 648 445
JSCB «Uzpromstroybank»	8 184 682	5 540 484
Foreign exchange difference	3 678	3 321
TOTAL ASSETS	28 665 797	24 360 265
FUNDING		
IDA Credit allocated to Participating Banks, including:	23 700 000	17 144 297
SJSCB «Asaka»	8 000 000	6 359 973
JSCB «Hamkorbank»	7 700 000	6 200 000
JSCB «Uzpromstroybank»	8 000 000	4 584 324
IDA Credit allocated to PCU	202 055	139 288
Co-financing by Participating Banks, including:	4 763 742	4 125 507
SJSCB «Asaka»	1 673 825	1 565 825
JSCB «Hamkorbank»	1 514 285	1 512 889
JSCB «Uzpromstroybank»	1 575 632	1 046 793
Financed by PB, to be reimbursed by IDA:	-	2 951 173
SJSCB «Asaka»	-	1 644 972
JSCB «Uzpromstroybank»	-	1 306 201
TOTAL FUNDING	28 665 797	24 360 265

Signed on behalf of the Project Management on June 08, 2015.

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

U. Abdullaev

PCU FM Specialist

M. Sattorova

First Deputy Chairman of the Board of SJSCB
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Deputy Chairman of JSCB «Uzpromstroybank»

PIU Manager

Sh. Yakubov

PIU FM Specialist

Deputy Chairman of the Board of JSCB
«Hamkorbank»

PIU Manager

S. Kholmuradov

PIU FM Specialist

UZS DESIGNATED ACCOUNT STATEMENT OF PCU

For the period from 01 January 2014 to 31 December 2014

Account #	2020 3000 4001 0102 1002	
Depository bank	Mekhnat branch of JSCIB "Ipoteka Bank"	
Address	100035, Uzbekistan, Tashkent city, Khorazm Street, 9	
Type of account	Agency special account in UZS	
Corresponding loan	Loan №4745-UZ	
Currency	UZS	
	thousands UZS	thousands USD
Balance as of 1 January 2014	8 844	4 016
Increase:		
Proceeds from PCU special account	137 756	59 354
Total increase	137 756	59 354
Decrease:		
Corresponding category expenses	146 600	63 370
Total decrease:	146 600	63 370
Balance as of 31 December 2014	-	-

USD DESIGNATED ACCOUNT STATEMENT OF PCU

For the period from 01 January 2014 to 31 December 2014

Account #	2020 3840 7001 0102 1004	
Depository bank	Mekhnat branch of JSCIB "Ipoteka Bank"	
Address	100035, Uzbekistan, Tashkent city, Khorazm Street, 9	
Type of account	Agency special account in USD	
Corresponding loan	Loan №4745-UZ	
Currency	USD	
Balance as of 1 January 2014		37 296
Increase:		
IDA financing		62 767
Total increase		62 767
Decrease:		
Conversion of currency into Uzbek Soums and transfer to PCU special account in UZS		59 354
Bank commission		53
Total decrease:		59 407
Balance as of 31 December 2014		40 657

Signed on behalf of the Project Management on June 08, 2015.

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

PCU FM Specialist

U. Abdullaev

M. Sattorova

USD DESIGNATED ACCOUNT STATEMENT OF PIU SJSCB «ASAKA»
For the period from 01 January 2014 to 31 December 2014

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 №5241-UZ
Currency	US Dollars
Balance as of 1 January 2014	1 508 000
Increase:	
IDA financing	1 640 027
Total increase	1 640 027
Decrease:	
Reimbursement of expenditures from own funds of Participating Banks	1 644 972
Sub-loans issued	432 000
Total decrease:	2 076 972
Balance as of 31 December 2014	1 071 054

Signed on behalf of the Project Management on June 08, 2015.

First Deputy Chairman of the Board of SJSCB
«Asaka»

PIU Manager

R. Kasimov

PIU FM Specialist

USD DESIGNATED ACCOUNT STATEMENT OF PIU JSCB «HAMKORBANK»
For the period from 01 January 2014 to 31 December 2014

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 №5241-UZ
Currency	US Dollars
Balance as of 1 January 2014	64 444
Increase:	
IDA financing	1 500 000
Return of unused loan funds	83 415
Total increase	1 583 415
Decrease:	
Sub-loans issued	-
Total decrease:	-
Balance as of 31 December 2014	1 647 859

Signed on behalf of the Project Management on June 08, 2015.

Deputy Chairman of the Board of JSCB
«Hamkorbank»

S. Kholmuradov

PIU Manager

PIU FM Specialist

USD DESIGNATED ACCOUNT STATEMENT OF PIU JSCB «UZPROMSTROYBANK»
For the period from 01 January 2014 to 31 December 2014

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 №5241-UZ
Currency	US Dollars
Balance as of 1 January 2014	1 389 600
Increase:	
IDA financing	3 415 675
Total increase	3 415 675
Decrease:	
Sub-loans issued	2 115 358
Reimbursement of expenditures from own funds of Participating Banks	1 306 201
Total decrease:	3 421 559
Balance as of 31 December 2014	1 383 717

Signed on behalf of the Project Management on June 08, 2015.

Deputy Chairman of JSCB «Uzpromstroybank»

PIU Manager 

Sh. Yakubov 

PIU FM Specialist 

SOE WITHDRAWAL SCHEDULE

For the period from 01 January 2014 to 31 December 2014

Request number	Categories of disbursements of funds		Total amount to be reimbursed	Reimbursed in 2014
	Component A	Component B		
PCU				
27	-	-	-	11 668
28	16 213	-	16 213	16 213
33	12 465	-	12 465	12 465
34	22 421	-	22 421	22 421
35	12 321	-	12 321	-
Total	63 420	-	63 420	62 767
PIU SJSCB «Asaka»				
23	-	471 096	471 096	471 096
25	-	1 168 930	1 168 930	1 168 930
Total	-	1 640 027	1 640 027	1 640 027
PIU JSCB «Hamkorbank»				
24	-	1 500 000	1 500 000	1 500 000
Total	-	1 500 000	1 500 000	1 500 000
PIU JSCB «Uzpromstroybank»				
26	-	1 501 156	1 501 156	1 501 156
29	-	1 204 071	1 204 071	1 204 071
30	-	191 231	191 231	191 231
32	-	519 218	519 218	519 218
Total	-	3 415 676	3 415 676	3 415 676
GRAND TOTAL	63 420	6 555 703	6 619 123	6 618 470

Signed on behalf of the Project Management on June 08, 2015.

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

U. Abdullaev

First Deputy Chairman of the Board of SJSCB
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PROJECT DESCRIPTION

On 18 August 2011 International Development Association (hereinafter – the Association, IDA) and the Government of Republic of Uzbekistan (hereinafter - the Government) have signed Agreement for lending to the Republic of Uzbekistan (hereinafter - Financing Agreement) in the amount of 16.5 million Special Drawing Rights (hereinafter - SDR) equivalent to USD 25.0 million for implementation of the Project “Energy Efficiency Facility for Industrial Enterprises” (hereinafter – the Project) with the repayment term of 35 years, including 10 years of grace period. The objective of the Project is to improve energy efficiency in industrial enterprises by designing and establishing a financing mechanism for energy saving investments.

According to the Financing Agreement, the Project will be financed on the account of IDA-funded credit and on the account of co-financing by the participating banks– SJSCB “Asaka”, JSCB “Hamkorbank” and JSCB “Uzpromstroybank” (hereinafter – “the Participating Banks”). To facilitate Project implementation and each Participating Bank on August 18, 2011 have signed Financing Agreement on epy Project implementation. On December 09, 2011 the Republic of Uzbekistan represented by Ministry of Finance of the Republic of Uzbekistan (hereinafter – “MOF”) Ministry of Economy and Participating Banks signed an Agreement on sub-lending arrangements for IDA funds for the Project implementation.

Project financing plan:

	US Dollars
IDA funds	25 000 000
Funds of Participating Banks	6 000 000
Total	31 000 000

According the Resolution #211 from 25 July 2011 of the Cabinet of Ministers of RUz “On measures facilitating implementation of the Energy Efficiency Facility for Industrial Enterprises Project with participation of IDA” (hereinafter – “COM Resolution”) identifies the following executive bodies responsible for the Project implementation (hereinafter jointly referred as “Implementing Agencies”):

- Ministry of Economy of RUz, which is imposed a responsibility for overall Project coordination and implementation of the component «Development of Energy Efficiency Capacity and Project management»;
- Participating banks SJSCB «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 COM Resolution, Ministry of Economy of RUz 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
Part A: Development of Energy Efficiency Capacity			
Goods, consultants' services, Training and Incremental Operating Costs	700 000	1 000 000	100%
Part B: Credit Line to Participating Banks			
Sub-loans for Sub-projects	15 800 000	24 000 000	80%
Total	16 500 000	25 000 000	

PROJECT DESCRIPTION (CONTINUATION)

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

Component		Allocated Loan amount (SDR)	Allocated Loan amount (\$)
Part A. Increasing potential in the sphere of energy efficiency			
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
Total Part A		700 000	1 000 000
Part B: Credit line to Participating Banks			
1	Sub-loans of SJSCB «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
Total Part B		15 800 000	24 000 000
TOTAL		16 500 000	25 000 000

Going concern

The closing date of the Credit according to the Financing Agreement is January 31, 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 JSIB 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

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 JSIB 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 referred to as "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 31 December 2014 the CBU's UZS/USD exchange rate was UZS 2,422.40 / USD 1.

PRESENTATION OF FINANCIAL STATEMENTS

Statement of Sources of Financing

Statement of Sources and Uses of Funds includes data on both IDA and Participating Banks' financing. In the reported period Project was financed by IDA Credit for total of USD 6,618,470 including funds reimbursed by IDA which were financed by participating banks for sub-loan disbursement at the expense of own funds in the amount of USD 1,640,027. Funds co-financed by the Participating Banks for total of USD 638 236.

Available funds were used for financing Project expenditures, in particular:

- PCU costs in part of component "A" of the Project was USD 63 423

Statement of Sources of Financing (continuation)

- Financing sub-loans in part of component "B" of the Project was USD 3 102 180 including the funds of Participating Banks: USD 638 236.

This Statement includes data on the opening and closing cash balance for the reported period. Closing balance is the IDA financing for total of USD 4 146 864.

Statement of Uses of Funds by Implementing Agencies on Expenditure Types

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.

Special Purpose 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.

PROPERTY, PLANT AND EQUIPMENT

Property, Plant and Equipment (PPE) 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. PPE include assets purchased for the operational needs of PCU.

Below is the list of Property, Plant and Equipment administered by the PCU:

	Balance as of 01.01.2014	Revaluation	Acquisition	Disposal	Balance as of 31.12.2014
Computer equipment	4 685	107	-	-	4 792
Office equipment	383	129	-	-	512
Furniture	2 776	174	-	-	2 950
Total	7 844	410	-	-	8 254

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 Mekhnat branch of JSCIB «Ipoteka Bank» in Tashkent city:

Title	Account number
PCU Special USD Account	2020 3840 7001 0102 1004
PCU Special UZS Account	2020 3000 4001 0102 1002

In Central Bank of RUZ:

Title	Account number
Special USD Account of PIU SJSCB "ASAKA"	2130 2840 5000 0087 3002
Special USD Account of PIU JSCB "HAMKORBANK"	2130 2840 5000 0008 3003
Special USD Account of PIU JSCB "UZPROMSTROYBANK"	2130 2840 9000 0044 0002

Furthermore there are co-financing accounts of the Participating Banks. According to the Financing Agreement, Participating Banks on the account of own funds are responsible for financing 20% of the total sub-loans. Below is the servicing purpose of the Project accounts.

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 01 January 2014 to 31 December 2014, 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 62 767 USD were received from IDA account to Designated Account in USD of Participating Banks in form of financing. 63 422 USD were used to cover PCU expenditures.

Designated accounts of Participating Banks

Project maintains three USD Designated accounts of the Participating Banks in CBU. From 01 January to 31 December 2014 these Designated accounts were used for disbursement of sub-loans for implementation of the Project component «B» «Credit Line to Participating Banks».

During the reported period the USD Designated accounts of the Participating Banks were received IDA financing for total amount of USD 4 915 676 and USD 1 640 027 as reimbursement of Participating bank own funds, which were used for sub-loan disbursement against IDA share.

During the reporting period on the account of IDA credit, the sub-loans were issued for the amount of 2 463 944 USD.

During 2013 year the Participating Banks granted sub-loans from their own resources, subject to reimbursement by IDA, in the amount of 2 951 173 US dollars, with the subsequent reimbursement by IDA in the amount of 1 306 201 USD to designated account of JSCB «Uzpromstroybank» in 2013, the amount 1 644 972 USD reimbursed to the designated account of SJSCB "Asakabank" in 2014.

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 638 236.

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

	in US Dollars	in thousands UZS
Balance as of 01 January 2014		
USD Designated Account of PCU	37 296	82 132
UZS Designated Account of PCU	4 016	8 844
USD Designated Account of SJSCB "ASAKA"	1 508 000	3 320 918
USD Designated Account of JSCB "HAMKORBANK"	64 444	141 919
USD Designated Account of JSCB "UZPROMSTROYBANK"	1 389 600	3 060 177
UZS Loan account of JSCB "UZPROMSTROYBANK"	3 934	8 664
Total	3 007 290	6 622 654
Balance as of 01 January 2015		
USD Designated Account of PCU	40 657	98 488
UZS Designated Account of PCU	-	-
USD Designated Account of SJSCB "ASAKA"	1 071 054	2 594 522
USD Designated Account of JSCB "HAMKORBANK"	1 647 859	3 991 774
USD Designated Account of JSCB "UZPROMSTROYBANK"	1 387 294	3 360 581
UZS Loan account of JSCB "UZPROMSTROYBANK"		
Total	4 146 864	10 045 364

STATEMENT OF EXPENDITURE (SOE) PROCEDURES

Statement of Expenditure (SOE) procedure is used by the Project to replenish funds on the Designated Accounts, in line with the Financing Agreement and Project Operational Manual.

Below is the table with cumulative data on netted-off and reimbursed expenditures according to the SOE:

Total expenditure amount under SOE procedure	6 619 123
2014 expenditures under IDA review as of 31 December 2014	(12 321)
Total expenditures:	6 606 802
Reimbursed on special account	6 618 470
Reimbursed expenses per SOE 27 of 2013 year	(11 668)
Total reimbursed:	6 606 802
Deviation	-

SUB-LOANS

In order to facilitate implementation of the Project component «B» «Credit Line to Participating Banks» for the period from 01 January to 31 December 2014 the Project has lent sub-loans for total of USD 3 102 180 including IDA-funded part: USD 2 463 944 and by Participating Banks: USD 638 236.

Below, is presented lent sub-loans by each of Participating Banks.

Participating Bank / Borrower	The purpose of sub-loans	Allocated funds at the expense of	
		IDA	Participating banks
SJSCB «Asaka»			
JSC «UCHQO'RG'ON YOG'»	Food industry	432 000	108 000
Total for SJSCB «Asaka»		432 000	108 000
JSCB «Hamkorbank»			
JSC "Bekabadcement"	Acquisition of aerating plates and mini filters for ten cement silos. Installation of compressor for aerating mini filters of cement silos	(47 581)	1 396
JSC "Kizilkumcement"	Modernization of feeders for cement mills. Acquisition of modern compressors. Acquisition of variable frequency converters.	(35 833)	-
Total by JSCB «Hamkorbank» :		(83 414)	1 396
JSCB «Uzpromstroybank»:			
JSC "Navoiyazot"	Implementation of energy saving technologies in JSC "Navoiyazot"	233 241	58 310
JSC "Andijanbikimyo zavodi"	Recuperation of carbonic acid gas	539 200	134 800
JSC "Kokand Spirt"	Recuperation of carbonic acid gas	600 400	150 100
JSC "Bektemir spirt experimental zavodi"	Recuperation of carbonic acid gas	592 400	148 100
SC "Navoiy GMK"	Increasing energy efficiency of sulfuric manufacturing at the expense of generating electricity using secondary resources	150 116	37 530
Total by JSCB «Uzpromstroybank»:		2 115 358	528 840
TOTAL		2 463 944	638 236

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 December 31, 2014 is stated below:

	Data of Client Connection	Project data	Deviations
IDA funds	23 902 055	23 902 055	-