

Audited Project Financial Statements

Project Number: 43405-025
Loan/Grant Number: 3078
Period covered: 1 January 2015 to 31 December 2015

GEO: Urban Services Improvement Investment Program – Tranche 3

Prepared by EY Georgia for the United Water Supply Company of Georgia LLC

For the Asian Development Bank
Date received by ADB: 9 December 2016

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

"Urban Services Improvement Investment Program"

Loan No. 3078-GEO (SF) (Project 3)

*Special Purpose Financial Statement
For the year ended 31 December 2015
Together with Independent Auditors' Report*



"Urban Services Improvement Investment Program" (Georgia)
Special Purpose Financial Statement for Loan No. 3078-GEO (SF) (Project 3)

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Independent Auditors' Report

To the management and shareholders of United Water Supply Company of Georgia LLC

We have audited the accompanying Special Purpose Financial Statement of "Urban services Improvement Investment Program (Georgia)" (the Project), implemented by United Water Supply Company of Georgia LLC (the Entity) and financed by Loan No. 3078-GEO (SF) (Project 3) from Asian Development Bank, which comprise the statement of cash receipts and payments for the year ended 31 December 2015 and a summary of significant accounting policies and other explanatory information (the "Special Purpose Financial Statement"). The Special Purpose Financial Statement has been prepared by the management of the Entity based on the requirements of the Project 3 Loan Agreement No. 3078-GEO (SF), dated 19 December 2013 (the Loan Agreement) as described in Note 2 of the Special Purpose Financial Statement.

Management's responsibility for the Special Purpose Financial Statement

Management is responsible for the preparation and presentation of the Special Purpose Financial Statement in accordance with the basis of accounting described in Note 2 of the Special Purpose Financial statement and for such internal control as management determines is necessary to enable the preparation of the Special Purpose Financial Statement that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on this Special Purpose Financial Statement based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Special Purpose Financial Statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Special Purpose Financial Statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement if the Special Purpose Financial Statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the Special Purpose Financial Statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion in the effectiveness of the Project's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the Special Purpose Financial Statement.

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



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Opinion

In our opinion, the Special Purpose Financial Statement is prepared, in all material respects, in accordance with the basis of accounting described in Note 2 of the Special Purpose Financial Statement.

Emphasis of matter

We further draw attention to the fact that, as disclosed in Note 10 to the Special Purpose Financial Statement, UWSCG has previously issued Financial Statement for the year ended 31 December 2015 in accordance with International Public Sector Accounting Standard (IPSAS) "Financial Reporting under the Cash Basis of Accounting" issued by the International Public Sector Accounting Standards Board of the International Federation of Accountants.

Other matters on which we are required to report

The Entity is also responsible for compliance with Sections 3.02, 3.03 and 3.04 of the Loan Agreement on the use of the proceeds of the Loan and for compliance with financial covenants contained in paragraphs 6 and 7 of Schedule 3 to the Loan Agreement. We have audited the utilization of the proceeds of the Loan in accordance with requirements of Sections 3.02, 3.03 and 3.04 of the Loan Agreement and the Entity's compliance with the financial covenants contained in paragraphs 6 and 7 of Schedule 3 to the Loan Agreement, described in Notes 11.1 and 11.2 of the Special Purpose Financial Statement. In our opinion, the Entity has utilized, in all material respects, the proceeds of the Loan only for the purposes of the Project in accordance with Sections 3.02, 3.03 and 3.04 of the Loan Agreement and no proceeds have been used for other purposes and the Entity is compliant with financial covenants contained in paragraphs 6 and 7 of Schedule 3 to the Loan Agreement.

Basis of accounting and restriction on use

Without modifying our opinion, we draw attention to Note 2 to the Special Purpose Financial Statement, which describes the basis of accounting. The Special Purpose Financial Statement is prepared to assist the Entity to meet the requirements of the Loan agreement and may not be suitable for another purpose. Our auditors' report is intended solely for the use of the management of the Entity, Asian Development Bank and the Government of Georgia and should not be used by other parties.

EY Georgia LLC

Tbilisi, Georgia

29 November 2016

"Urban Services Improvement Investment Program" (Georgia)
 Special Purpose Financial Statement for Loan No. 3078-GEO (SF) (Project 3)

STATEMENT OF CASH RECEIPTS AND PAYMENTS

For the year ended 31 December 2015

In US Dollars

	2015					
	Cash receipts and payments controlled by the entity		Cash receipts and payments by third party		Total Cash receipts and payments	
	For the year	Cumulative	For the year	Cumulative	For the year	Cumulative
Opening cash balance:	-	-	-	-	-	-
Cash receipts from the Asian Development Bank	-	-	10,647,254	14,471,807	10,647,254	14,471,807
Cash receipts from the Government of Georgia	1,818,586	2,551,903	-	-	1,818,586	2,551,903
Total cash receipts:	1,818,586	2,551,903	10,647,254	14,471,807	12,465,840	17,023,710
Cash disbursements from the Asian Development Bank funding:	-	-	-	-	-	-
Construction or civil works	-	-	(10,042,185)	(13,802,076)	(10,042,185)	(13,802,076)
Goods	-	-	(443,984)	(508,646)	(443,984)	(508,646)
Consulting Services	-	-	(10,969)	(10,969)	(10,969)	(10,969)
Interest Charge	-	-	(150,116)	(150,116)	(150,116)	(150,116)
Cash disbursements from the Government of Georgia funding:	-	-	-	-	-	-
Construction or civil works	(1,784,084)	(2,447,590)	-	-	(1,784,084)	(2,447,590)
Goods	(32,598)	(102,409)	-	-	(32,598)	(102,409)
Consulting Services	(1,904)	(1,904)	-	-	(1,904)	(1,904)
Total cash disbursements:	(1,818,586)	(2,551,903)	(10,647,254)	(14,471,807)	(12,465,840)	(17,023,710)
Foreign exchange difference, net	-	-	-	-	-	-
Closing cash balance	-	-	-	-	-	-

Signed and authorized for issue on 29 November 2016

Giorgi Kobridze, Director

Ekaterine Galdava, Deputy Director in Finance

The accompanying notes on 5-12 are an integrated part of these financial statement

"Urban Services Improvement Investment Program" (Georgia)
Special Purpose Financial Statement for Loan No. 3078-GEO (SF) (Project 3)

STATEMENT OF CASH RECEIPTS AND PAYMENTS

For the year ended 31 December 2015

In US Dollars

	2014					
	Cash receipts and payments controlled by the entity		Cash receipts and payments by third party		Total Cash receipts and payments	
	For the year	Cumulative	For the year	Cumulative	For the year	Cumulative
Opening cash balance:	-	-	-	-	-	-
Cash receipts from the Asian Development Bank	-	-	3,824,553	3,824,553	3,824,553	3,824,553
Cash receipts from the Government of Georgia	733,317	733,317	-	-	733,317	733,317
Total cash receipts:	733,317	733,317	3,824,553	3,824,553	4,557,870	4,557,870
Cash disbursements from the Asian Development Bank funding:						
Construction or civil works	-	-	(3,759,891)	(3,759,891)	(3,759,891)	(3,759,891)
Goods	-	-	(64,662)	(64,662)	(64,662)	(64,662)
Cash disbursements from the Government of Georgia funding:						
Construction or civil works	(663,506)	(663,506)	-	-	(663,506)	(663,506)
Goods	(69,811)	(69,811)	-	-	(69,811)	(69,811)
Total cash disbursements:	(733,317)	(733,317)	(3,824,553)	(3,824,553)	(4,557,870)	(4,557,870)
Foreign exchange difference, net	-	-	-	-	-	-
Closing cash balance	-	-	-	-	-	-

The accompanying notes on 5-12 are an integrated part of these financial statement

NOTES TO THE FINANCIAL STATEMENT

"Urban Services Improvement Investment Program" (Georgia)
Financial Statement for Loan No. 3078-GEO (SF) (Project 3)

All amounts in US Dollars

1. General

According to the Loan Agreement dated 19 December 2013 the Asian Development Bank (the "ADB") provided a Loan no. 3078-GEO (SF) to Government of Georgia (the "GOG") from the ADB's special funds resources in various currencies equivalent to sixty-four million two hundred five thousand Special Drawing Rights ("SDR") (the "Loan") for the purposes of implementing "the Urban Services Improvement Investment Program" (the "Project").

On 7 March 2014 a subsidiary loan agreement was formed between Georgia as represented by the Ministry of Finance of Georgia, the Ministry of Regional Development and Infrastructure of Georgia (the "MRDI") and the United Water Supply Company of Georgia LLC (the "UWSCG LLC" or the Entity). The liabilities under the Loan in respect of the Project were reassigned to the Entity and the implementation was concluded to take place under the oversight of the MRDI.

The Entity is 100 % owned by the State of Georgia.

Address of the UWSCG LLC: 76B Vazha-Phshavela Ave., Tbilisi, Georgia
Duration of the Project: December 2014 until 30 June 2018

Project purpose

The objective of the Investment Program is to improve water supply and sanitation services in secondary towns of Georgia.

The Project consists of the following components:

1. Component: Infrastructure improvement

The objective of the component is construction of a new Water Supply System (WSS) in Kutaisi and Ureki, including a water distribution network, sewage collection system, build of reservoirs and pumping stations. This component consists of the following activities:

- 1.1. Activity: *Augmentation of the water supply system in the town of Kutaisi through construction of reservoirs, pumping stations, and corresponding water transmission mains, and distribution network*
- 1.2. Activity: *Construction of a new water supply and sewerage system in the town of Ureki including a water distribution network, sewage collection system and sewage treatment plant*
- 1.3. Activity: *Procurement of sewer cleaning vehicle and water quality testing laboratory equipment*

NOTES TO THE FINANCIAL STATEMENT

"Urban Services Improvement Investment Program" (Georgia)
Financial Statement for Loan No. 3078-GEO (SF) (Project 3)

All amounts in US Dollars

1. General (Continued)

2. Component: Institutional Effectiveness

The objective of this component is to implement Geographic Information Systems (GIS) mapping of water and sewerage network for secondary towns, human resource development through establishing WSS management program in Georgian universities and hiring of Individual Consultants in order to support the Investment Program Management Office (IPMO). This component consists of the following activities:

- 2.1. Activity: *Provision of support (i) for GIS mapping of water and sewerage network for secondary towns, and (ii) for human resource development through WSS management program in Georgian universities*
- 2.2. Activity: *Provision of support to the UWSCG LLC for (i) creation of sex-disaggregated consumer database to develop targeted marketing campaigns (ii) establishing customer care units in WSS service centers, and (iii) project implementation and management, including supporting the Investment Program management office, and capacity development and training.*

2. Basis of preparation

This Special Purpose Financial Statement has been prepared by the management of the Entity based on the following requirements of the Project 3 Loan Agreement No. 3078-GEO (SF), dated 19 December 2013 (the Loan Agreement) and the ADB's Project Administration Instructions (PAI 5.07, revised in August 2015):

- ▶ The Special Purpose Financial Statement has been primarily prepared in accordance with the International Public Sector Accounting Standards ("IPSAS") "Financial Reporting under the Cash Basis of Accounting" issued by the Public Sector Committee of the international Federation of Accountants following the requirements set out in Section 4.03 of the Loan Agreement and Section B of the Project Administration Instructions (PAI 5.07, revised in August 2015);
- ▶ Notes 11.1 and 11.2 to the Special Purpose Statement have been added specifically to address the requirement of Sections 3.02, 3.03 and 3.04; and paragraphs 6 and 7 of Schedule 3 to the Loan Agreement, respectively.

The Special Purpose Financial Statement comprises:

- ▶ Statement of cash receipts and payments
- ▶ Notes to the Special Purpose Financial Statement including the summary of significant accounting policies and other explanatory notes.

The reporting currency of this Special Purpose Financial Statement is US Dollars.

NOTES TO THE FINANCIAL STATEMENT

"Urban Services Improvement Investment Program" (Georgia)
Financial Statement for Loan No. 3078-GEO (SF) (Project 3)

All amounts in US Dollars

3. Summary of significant accounting policies

(i) *Cash basis of accounting*

The Special Purpose Financial Statement was prepared and presented based on cash method of accounting. Cash method of accounting is the accounting principle, according to which changes in the financial position of the entity are recognized only at the time when cash is paid or obtained.

The Special Purpose Financial Statement prepared based on cash method presents information on the source of cash, application of funds objectives and cash balances at the reporting date. The measurement focus in the Special Purpose Financial Statement is balances of cash and changes therein.

(ii) *Foreign currency*

Cash accounts of the Project are maintained in Georgian Lari (GEL); however the Special Purpose Financial Statement is prepared in USD for the purposes of reporting to the ADB.

Cash receipts and payments arising from transactions in a foreign currency is recorded in an entity's reporting currency by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the receipts and payments. Foreign exchange rate is the actual rate used for each transaction. Funds received from the ADB in the foreign currency are translated using the actual rate at which the ADB purchases the foreign currency at the transaction date. For co-financing received from the GOG, the rate published by the National Bank of Georgia (NBG) is used as actual rate; since this is the reference rate most commonly used for foreign currency denominated contracts in Georgia.

(iii) *Cash*

As the Project is mainly financed through direct payments of reimbursement procedures, the UWSCG LLC does not have bank account for Project expenses, attributable to the ADB funds. Only one cash account for funds received from the GOG is maintained in Georgian commercial bank. Funds received from the GOG are mainly transferred at the same day from the UWSCG LLC account in the Georgian commercial bank to contractors' accounts. On this account are also located funds received under resolution of the GOG No. 526, related to land acquisition and resettlement (Note 9).

(iv) *Project expenditures*

The expenses and advances paid are recorded in the period when they are actually paid by direct payment, reimbursement payment or transferred to the escrow account or account for letter of credit. The Project expenditures are financed proportionately by the ADB and the GOG (Note 6).

NOTES TO THE FINANCIAL STATEMENT

"Urban Services Improvement Investment Program" (Georgia)
Financial Statement for Loan No. 3078-GEO (SF) (Project 3)

All amounts in US Dollars

4. Project funds by main categories and components

The table below presents annual cash receipts by sources and payments by categories:

	2015		Cumulative	
	<i>In US Dollars</i>	<i>In Georgian Lari*</i>	<i>In US Dollars</i>	<i>In Georgian Lari*</i>
Cash receipts from the ADB	10,647,254	24,376,230	14,471,807	31,053,927
Cash receipts from the GOG	1,818,586	4,225,887	2,551,903	5,536,222
Total cash receipts:	12,465,840	28,602,117	17,023,710	36,590,149

	2014		Cumulative	
	<i>In US Dollars</i>	<i>In Georgian Lari*</i>	<i>In US Dollars</i>	<i>In Georgian Lari*</i>
Cash receipts from the ADB	3,824,553	6,677,697	3,824,553	6,677,697
Cash receipts from the GOG	733,317	1,310,335	733,317	1,310,335
Total cash receipts:	4,557,870	7,988,032	4,557,870	7,988,032

	2015		Cumulative	
	<i>In US Dollars</i>	<i>In Georgian Lari*</i>	<i>In US Dollars</i>	<i>In Georgian Lari*</i>
Construction or Civil Works	11,826,269	27,140,671	16,249,666	34,875,620
Goods	476,582	1,072,372	611,055	1,325,455
Consulting Services	12,873	30,000	12,873	30,000
Interest Charge	150,116	359,074	150,116	359,074
Total cash disbursements:	12,465,840	28,602,117	17,023,710	36,590,149

	2014		Cumulative	
	<i>In US Dollars</i>	<i>In Georgian Lari*</i>	<i>In US Dollars</i>	<i>In Georgian Lari*</i>
Construction or Civil Works	4,423,397	7,734,950	4,423,397	7,734,950
Goods	134,473	253,082	134,473	253,082
Total cash disbursements:	4,557,870	7,988,032	4,557,870	7,988,032

* For the purposes of presenting expenditures in GEL, the costs incurred under the contracts denominated in currency other than GEL, has been translated using the NBG rate prevailing at the date of transaction.

The table below presents annual cash disbursements by components:

	2015		Cumulative	
	<i>In US Dollars</i>	<i>In Georgian Lari</i>	<i>In US Dollars</i>	<i>In Georgian Lari</i>
Component 1.1	8,852,842	20,338,146	8,852,842	20,338,145
Component 1.2	2,973,427	6,802,525	7,396,824	14,537,475
Component 1.3	476,582	1,072,372	611,055	1,325,455
Component 2.2	12,873	30,000	12,873	30,000
Interest	150,116	359,074	150,116	359,074
Total cash disbursements:	12,465,840	28,602,117	17,023,710	36,590,149

NOTES TO THE FINANCIAL STATEMENT

"Urban Services Improvement Investment Program" (Georgia)
Financial Statement for Loan No. 3078-GEO (SF) (Project 3)

All amounts in US Dollars

4. Project funds by main categories and components (Continued)

	2014		Cumulative	
	<i>In US Dollars</i>	<i>In Georgian Lari</i>	<i>In US Dollars</i>	<i>In Georgian Lari</i>
Component 1.2	4,423,397	7,734,950	4,423,397	7,734,950
Component 1.3	134,473	253,082	134,473	253,082
Total cash disbursements:	4,557,870	7,988,032	4,557,870	7,988,032

5. Comparison of budget and actual cash disbursements

The table below presents comparison of budget and actual cash disbursements from the ADB funding and the GOG co-financing separately.

The budget of the Project agreed between the parties relates to the whole period of the Project, which is determined as 4 years. At the end of the Project final variance will be presented between budget and cumulative actual cash payments under the Project.

Budget related to the ADB financing

	2015		
	Budget*	Actual Payments	Variance
Construction or civil works	81,364,523	13,802,076	67,562,447
Goods	1,161,242	508,646	652,596
Consulting services	2,068,895	10,969	2,057,926
Interest charge	3,359,010	150,116	3,208,894
Unallocated	1,017,126	—	1,017,126
Total cash disbursements:	88,970,796	14,471,807	74,498,989

	2014		
	Budget*	Actual Payments	Variance
Construction or civil works	85,068,328	3,759,891	81,308,437
Goods	1,214,103	64,662	1,149,441
Consulting services	2,163,073	—	2,163,073
Interest charge	3,511,915	—	3,511,915
Unallocated	1,063,427	—	1,063,427
Total cash disbursements:	93,020,846	3,824,553	89,196,293

As at 31 December 2015 and at 31 December 2014, undrawn borrowing facilities comprised respectively USD 74,498,989 and USD 89,196,293.

**Budget figures originally presented in SDRs are converted to USD using the International Monetary Fund (IMF) exchange rate – 1.3857 and 1.4488 as at 31 December 2015 and 31 December 2014, respectively.*

NOTES TO THE FINANCIAL STATEMENT

"Urban Services Improvement Investment Program" (Georgia)
Financial Statement for Loan No. 3078-GEO (SF) (Project 3)

All amounts in US Dollars

5. Comparison of budget and actual cash disbursements (continued)

Budget related to the GOG co-financing

	2015		
	Budget**	Actual payments	Variance
Construction or civil works	14,640,814	2,447,590	12,193,224
Goods	208,955	102,409	106,546
Consulting services	372,279	1,904	370,375
Unallocated	1,117,003	—	1,117,003
Total cash disbursements:	16,339,051	2,551,903	13,787,148

	2014		
	Budget**	Actual payments	Variance
Construction or civil works	15,307,280	663,506	14,643,774
Goods	218,467	69,811	148,656
Consulting services	389,226	—	389,226
Unallocated	1,167,850	—	1,167,850
Total cash disbursements:	17,082,823	733,317	16,349,506

**The budget for the GOG co-financing represents the planned spending by the GOG proportionate to their co-financing for the Project (Note 6).

Disbursement plan

The entity shall update the disbursement plan, which is prepared before the Loan agreement, annually or as needed throughout the duration of the Project. According to the disbursement plan, no cash disbursements were budgeted until 2015 third and fourth quarter. However, total cash disbursements amounted to USD 12,465,840 and USD 4,557,870 for 2015 and 2014 year respectively.

6. Funds Provided

The Project is financed by two sources: 84.75% of Construction or civil works, goods and consulting services are financed by the ADB and remaining 15.25% by the GOG under resolution. The resolution of the GOG is updated annually, the last update (resolution No. 102) took place on 2nd of February 2015; interest charge is totally financed by the ADB. As for, unallocated expenses 47.66% are financed by the ADB and remaining by the GOG.

During 2015 the ADB made direct payment to the suppliers' accounts as advance payments and reimbursements of expenses for work performed in the suppliers' contractual currencies.

Financing from the GOG was received by the Entity on GEL accounts in Georgian Commercial Bank and then repaid to respective beneficiary. Under the resolution of the GOG No. 102, dated 2 February 2015, all financing made by the GOG into the Project are contributed into the capital of the Entity.

NOTES TO THE FINANCIAL STATEMENT

"Urban Services Improvement Investment Program" (Georgia)
Financial Statement for Loan No. 3078-GEO (SF) (Project 3)

All amounts in US Dollars

7. Cash Disbursements

Total cash disbursements during 2015, includes letter of credit in the amount of USD 323,308 (2014: USD 58,176), placed under the agreement signed with the contractor. In 2015, the amount was totally financed by the ADB (2014: GOG).

8. Loan No. 3078-GEO (SF) from the ADB

The Loan bears an interest rate of 2% per annum and has a maturity of 25 years. The payments of principal commence after the grace period starting from May 2019.

The interest charge and any other charge on the Loan is payable semi-annually on 15 May and 15 November in each year, starting from 15 May 2015. The ADB withdraws interest payable from the loan account and pays itself the amounts due during the grace period. During the year 2015, two semi-annual interest payments were withdrawn by the ADB. The interest charge will be covered by the GOG after the grace period (2014: USD 0).

9. Land acquisition and resettlement

During the year ended 31 December 2014 the GOG has provided USD 274,935 (GEL 486,718) to finance land acquisition and resettlement in Ureki Region under the resolution of the GOG No. 526. The expenditure related to resettle the population from the specific lands to be used for the construction for the Project purposes. The expenditure was incurred after the Project was launched and was not included under the initial budget, and was totally financed by the GOG. From the total amount of financing USD 233,831 (GEL 408,987) was paid to land owners during 2014. During the year ended 31 December 2015, based on the resolution of the GOG No. 434 and no objection of the ADB, expenses related to the project Mestia Water Supply and Sewerage Networks Construction (MES-02), which is implemented by the UWSCG LLC under Project 2, with the total amount of GEL 15,751, was covered from residual cash balance from the GOG financing received for Ureki Region resettlement.

10. Revision of the Special Purpose Financial Statement

On 29 June 2016 UWSCG issued Financial Statement for the year ended 31 December 2015 in accordance with International Public Sector Accounting Standard (IPSAS) "Financial Reporting under the Cash Basis of Accounting" issued by the International Public Sector Accounting Standards Board of the International Federation of Accountants. This Special Purpose Financial Statement represents a revised Financial Statement for the year ended 31 December 2015 and includes amended wording in Note 11 disclosing the compliance in respect of use of the proceeds of the Loan in accordance with the Sections 3.02, 3.03 and 3.04 of the Loan Agreement and financial covenants contained in paragraphs 6 and 7 of Schedule 3 to the Loan Agreement.

11. Compliance with the use of the Loan Proceeds and financial covenants

In accordance with the requirements of the Section B of the Project Administration Instructions (PAI 5.07, revised in August 2015) of the Asian Development Bank, the Entity is required to report on the use of the proceeds of the Loan and compliance with the financial covenants, which is contained in the Notes 11.1 and 11.2 below.

NOTES TO THE FINANCIAL STATEMENT

"Urban Services Improvement Investment Program" (Georgia)
Financial Statement for Loan No. 3078-GEO (SF) (Project 3)

All amounts in US Dollars

11. Compliance with the use of the Loan proceeds and financial covenants (continued)

11.1 Use of Funds for the Purpose Intended

For years 2015 and 2014, the Entity has utilised all funds received from the ADB and the GOG in accordance with Sections 3.02, 3.03 and 3.04 of the Loan Agreement exclusively in the carrying out of the Project.

11.2 Financial covenants

As at 31 December 2015 and 2014, the UWSCG LLC was in compliance with the following financial covenants related to the Project contained in paragraphs 6 and 7 of the Schedule 3 to the Loan Agreement:

1. Withdrawals from the Loan Account may be made for reimbursement of eligible expenditures incurred under the Project before the Effective Date, but not earlier than 12 months before the date of this Loan Agreement in connection with Works, Goods, and Consulting Services, subject to a maximum amount equivalent to 20% of the Loan amount;
2. Notwithstanding any other provision of this Loan Agreement, no withdrawal shall be made from the Loan Account until the Subsidiary Loan Agreement.

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