

# Audited Project Financial Statements

---

Project Number: 43405-026  
Loan/Grant Number: 3238  
Period covered: 1 January 2015 to 31 December 2015

## GEO: Urban Services Improvement Investment Program – Tranche 4

Prepared by BDO LLC (Georgia)

For the Asian Development Bank  
Date received by ADB: 13 November 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.

**UNITED WATER SUPPLY COMPANY OF GEORGIA LLC**

**Project Financial Statement**

**Of Project 4 - Urban services improvement investment  
program (Loan No. 3238-GEO)**

**With accompanied independent auditor's report**

**For the year ended December 31, 2015**

UNITED WATER SUPPLY COMPANY OF GEORGIA LLC

Urban services improvement investment program, Project 4 (Loan No. 3238-GEO)

PROJECT FINANCIAL STATEMENT

As of and for the year ended December 31, 2015

Currency: USD

---

Contents:

INDEPENDENT AUDITOR'S REPORT .....	3
PROJECT FINANCIAL STATEMENT .....	5
NOTES TO THE PROJECT FINANCIAL STATEMENT .....	6



T: +995 32 254 58 45

T: +995 32 218 81 88

@ bdo@bdo.ge

www.bdo.ge

2 Tarkhnishvili Str.

Vere Business Centre

0179 Tbilisi

Georgia

## INDEPENDENT AUDITOR'S REPORT

### To the management of the United Water Supply of Georgia LLC

We have audited the accompanying project financial statements of the **Urban services improvement investment program, Project 4** (further "Project"), financed by the Asian Development Bank (further "ADB") **Loan No. 3238-GEO**, which comprise the statement of the Project sources and uses of funds, the government co-financing account statement as of and for the year ended December 31, 2015, and a summary of significant accounting policies and other explanatory information.

### Management's responsibility for the Project Financial Statement

Management of the United Water Supply of Georgia LLC (further "Organization") is responsible for the preparation and fair presentation of this financial statement in accordance with the financial covenants of the Loan Agreement No. 3238-GEO, the Asian Development Bank guidelines and the cash basis of accounting, as described in note 2 to the project financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the project financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

### Auditor's responsibility

Our responsibility is to express an opinion on the project 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 whether the project financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organisation's preparation and fair presentation of the project financial statement 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 organisation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the project financial statement.

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 aforementioned project financial statements and notes thereto present fairly, in all material respects, the cash position of the Urban Services Improvement Investment Program, project 4 as of December 31, 2015, and of the receipts and payments for the year then ended, in conformity with the cash basis of accounting, as described in the note 2 to the project financial statement;
- The Organization has utilized all proceeds of the loan withdrawn from the ADB only for purposes of the Project as agreed between the ADB and Georgia, in accordance with the Loan Agreement No. 3238-GEO; and no proceeds of the loan have been utilized for the other purposes;
- As of the reporting date the Organization was in compliance with all financial covenants of the Loan Agreement No. 3238-GEO.

### **Basis of Accounting**

Without modifying our opinion, we draw attention to Note 2 to the financial statement, which describes the basis of accounting policy. The project financial statement is prepared to assist the management of the Organization to comply with the requirements of the ADB. As a result, the project financial statements may not be suitable for another purpose.

Tbilisi, Georgia

13 October, 2016

*BDO LLC*

**UNITED WATER SUPPLY COMPANY OF GEORGIA LLC**

Urban services improvement investment program, Project 4 (UWSCG Loan No. 3238-GEO)

**PROJECT FINANCIAL STATEMENT**

As of and for the year ended December 31, 2015

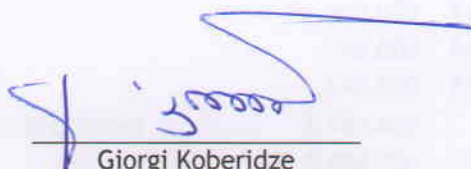
Currency: USD

Statement of the project sources and uses of funds for the period from January 1, 2015 to December 31, 2015:

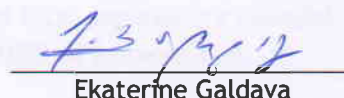
	Note	Year ended December 31, 2015			As at December 31, 2015		
		Actual	Planned	Variance	Actual	Planned	Variance
Opening balance of bank accounts	3	-	-	-	-	-	-
Add: Financing							
ADB Loan No. 3238-GEO	4	4,389,479	7,299,153	2,909,674	4,389,479	7,299,153	2,909,674
Government co-financing		770,203	1,313,417	543,214	770,203	1,313,417	543,214
<b>Total financing</b>		<b>5,159,682</b>	<b>8,612,570</b>	<b>3,452,888</b>	<b>5,159,682</b>	<b>8,612,570</b>	<b>3,452,888</b>
Less: Expenses							
ADB Loan No. 3238-GEO	5.1	4,389,479	7,299,153	2,909,674	4,389,479	7,299,153	2,909,674
Government co-financing	5.2	770,203	1,313,417	543,214	770,203	1,313,417	543,214
<b>Total expenses</b>		<b>5,159,682</b>	<b>8,612,570</b>	<b>3,452,888</b>	<b>5,159,682</b>	<b>8,612,570</b>	<b>3,452,888</b>
Closing balance of bank accounts	3	-	-	-	-	-	-

These statements including the notes are signed by:

13.10.2016  
/Date/

  
Giorgi Koberidze

Director

  
Ekaterine Galdava

Deputy director in finance

This statement is to be read in conjunction with the notes to and forming part of Statement of the Project financial statement set out on pages 6 to 8.



## UNITED WATER SUPPLY COMPANY OF GEORGIA LLC

Urban services improvement investment program (Loan No. 3238-GEO)

### NOTES TO THE PROJECT FINANCIAL STATEMENT

As of and for the year ended December 31, 2015

Currency: USD

#### 1. Basic Activities

Under the Loan Agreement No. 3238-GEO dated February 5, 2015, The Asian Development Bank (the ADB) has provided a multi-tranche financing facility to Georgia in the amount of 108,000,000 USD for the implementation of the urban services improvement investment program, Project 4. The loan agreement was signed by the Asian Development Bank and Ministry of Finance of Georgia.

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

The project comprises the following components:

#### Component 1 - Infrastructure improvement:

(a) augmentation of the water supply system in the town of Zugdidi through construction of (i) water production wells and water pumping station at Inghiri, (ii) transmission mains, (iii) a reservoir at Bashi, and (iv) water distribution network;

(b) improvement of sewerage system in the town of Poti through (i) replacement of old sewer lines, (ii) laying of new sewer lines, (iii) construction of sewage pumping stations, and (iv) construction of a new sewerage treatment plant; and

#### Component 2 - Project Implementation Support:

(c) provision of support to UWSCG for (i) creation of sex-disaggregated consumer database to develop targeted marketing campaigns, (ii) establishing customer care units in WSS service centres, which are staffed by at least 30% women that inform, educate, and communicate on water, hygiene and sanitation, and (iii) project implementation and management, including support to the investment program management office.

Component 1 and Component 2 are implemented by the United Water Supply Company of Georgia LLC (further UWSCG) according to Subsidiary Loan Agreement between Ministry of Finance of Georgia, Ministry of Regional Development and Infrastructure of Georgia and UWSCG dated March 26, 2015.

The project is expected to complete by December 31, 2017. Loan closing date is June 30, 2018.

The project is financed through the following main categories:

N	Item	Total Amount Allocated for ADB Financing (in USD)	Basis for withdrawal from the Loan Account
1	Works	96,860,000	84.75% of total expenditure claimed
2	Goods	30,000	84.75% of total expenditure claimed
3	Consulting Services	4,140,000	84.75% of total expenditure claimed
4	Interest and Commitment Charges	2,480,000	100% of amounts due
5	Unallocated	4,490,000	
Total		108,000,000	

The legal address of the Organization (UWSCG) is 76b Vazha-pshavela Ave. Tbilisi, 0186, Georgia.

**UNITED WATER SUPPLY COMPANY OF GEORGIA LLC**

**Urban services improvement investment program (Loan No. 3238-GEO)**

**NOTES TO THE PROJECT FINANCIAL STATEMENT**

As of and for the year ended December 31, 2015

Currency: USD

---

**2. Accounting Policy**

**a) Basis of preparation**

The project financial statements have been prepared on the cash basis of accounting. Under this basis of accounting, financing is recognised when received rather than when earned and expenses are recognised when paid rather than when incurred. Accounting policies for recognition and measurement of each item of the project financial statements is described below.

The project financial statement also comply with the Asian Development Bank guidelines ("Project Financial management and Analysis") and the covenants of the Loan Agreement No. 3238-GEO

**Operating and Presentation Currency**

For the Organisation the operating currency is Georgian currency (GEL) and the presentation currency is USD. The project financial statements are presented in USD.

Government co-financing amounts in Georgian laris and payments made from those amounts are converted into USD applying the official exchange rate determined by the National Bank of Georgia on the day of the transaction.

In preparing the project financial statements, transactions in currencies other than the operating currency are recorded at the rates of exchange reported on the ADB Loan and Grant Financial Information Services (LFIS).

**b) Financing and Expenses**

The project financing from ADB loan is recognised as such and included in the project financial statements only if payment is made from loan account:

- To supplier under the direct payment procedure or
- To UWSCG under the reimbursement procedure, for payments made to suppliers

The amount of Government co-financing are recognised as such and included in the project financial statements if funds are transmitted to the Government co-financing account jointly used for all tranches within the scope of the Urban Services Improvement Investment Program.

The project expenses are recognised as such and include in the project financial statements when payment is made to suppliers of goods, works or consulting services under the direct payment or to UWSCG under the reimbursement procedure. Payments are made either directly from the ADB loan account or from the Government co-financing accounts.

**Planned expenses**

Planned project expenses for the reporting period represent the annual budget by expense category and by source of financing, approved by the management of the UWSCG and the ADB.

**3. Bank accounts**

As the project is financed through direct payment and reimbursement procedures, UWSCG doesn't maintain designated bank accounts for ADB financing.

Government co-financing accounts are used for portion of expenses funded by the Government of Georgia for all tranches within the scope of the Urban Services Improvement Investment Program.



UNITED WATER SUPPLY COMPANY OF GEORGIA LLC

Urban services improvement investment program (UWSCG Loan No. 3238-GEO)

NOTES TO THE PROJECT FINANCIAL STATEMENT

As of and for the year ended December 31, 2015

Currency: USD

4. ADB Financing

	For the year ended December 31, 2015	As at December 31, 2015
Direct payment	4,261,117	4,261,117
Reimbursement	19,818	19,818
Interest and Commitment Charges	108,544*	108,544
<b>Total</b>	<b>4,389,479</b>	<b>4,389,479</b>

\*Interest charge is calculated on the principal amount of the loan withdrawal and outstanding from time to time at the rate for each interest period of the sum of: a) LIBOR B) 0.60% as provided in Section 3.02 of the Loan Regulations less a credit of 0.10% as provided by section 3.03 of the Loan regulations and c) a maturity premium of 0.20% as provided by Section 3.03 of the Loan Regulations. Commitment charge of 0.15% per annum. Such charge shall accrue on the full amount of the loan (less amounts withdrawn from time to time), commencing 60 days after the date of this Loan Agreement.

5. Expenses

5.1 From ADB fund:

	For the year ended December 31, 2015			As at December 31, 2015		
	Actual	Planned	Variance	Actual	Planned	Variance
Works	3,355,516	6,750,000	3,394,484	3,355,516	6,750,000	3,394,484
Goods	19,818	-	(19,818)	19,818	-	(19,818)
Consulting Services	905,601	549,153	(356,448)	905,601	549,153	(356,448)
Interest and Commitment Charges	108,544	-	(108,544)	108,544	-	(108,544)
<b>Total</b>	<b>4,389,479</b>	<b>7,299,153</b>	<b>2,909,674</b>	<b>4,389,479</b>	<b>7,299,153</b>	<b>2,909,674</b>

The allocation of expenses (excluding interest charges) through components is presented in the table below:

	For the year ended December 31, 2015		
	ADB	Co-financing	TOTAL
Component 1	3,355,516	603,795	3,959,311
Component 2	925,419	166,408	1,091,827
<b>Total</b>	<b>4,280,935</b>	<b>770,203</b>	<b>5,051,138</b>

5.2 From government co-financing amounts:

	For the year ended December 31, 2015			As at December 31, 2015		
	Actual	Planned	Variance	Actual	Planned	Variance
Works	603,795	1,214,602	610,807	603,795	1,214,602	610,807
Goods	3,453	-	(3,453)	3,453	-	(3,453)
Consulting Services	162,955	98,815	(64,140)	162,955	98,815	(64,140)
Interest and Commitment Charges	-	-	-	-	-	-
<b>Total</b>	<b>770,203</b>	<b>1,313,417</b>	<b>543,214</b>	<b>770,203</b>	<b>1,313,417</b>	<b>543,214</b>

**UNITED WATER SUPPLY COMPANY OF GEORGIA LLC****Urban services improvement investment program (Loan No. 3238-GEO)****NOTES TO THE PROJECT FINANCIAL STATEMENT**

As of and for the year ended December 31, 2015

Currency: USD

**6. Financing and expenses in Georgian Lari**

	For the year ended December 31, 2015	As at December 31, 2015
<b>Financing</b>		
ADB Loan No. 3238-GEO	10,401,771	10,401,771
Government co-financing	1,816,454	1,816,454
<b>Total financing</b>	<b>12,218,225</b>	<b>12,218,225</b>
<b>Expenses</b>		
Works	9,488,129	9,488,129
Goods	54,203	54,203
Consulting Services	2,417,150	2,417,150
Interest and Commitment Charges	258,743	258,743
<b>Total expenses</b>	<b>12,218,225</b>	<b>12,218,225</b>

**7. Project implementation**

Category	Budgeted in USD	Disbursement by ADB in USD	Amounts disbursed in %
Works	96,860,000	3,355,516	3.46%
Goods	30,000	19,818	66.06%
Consulting Services	4,140,000	905,601	21.87%
Interest and Commitment Charges	2,480,000	108,544	4.38%
Unallocated	4,490,000	-	0%
<b>Total</b>	<b>108,000,000</b>	<b>4,389,479</b>	<b>4.06%</b>

## CONTACT

### BDO LLC

Vere Business Centre  
2 Tarkhnishvili Str., 0179  
0179 Tbilisi, Georgia  
Tel. +995 32 254 58 45

[www.bdo.ge](http://www.bdo.ge)

BDO LLC and BDO Legal LTD, BDO Academy LTD, Georgian limited liability companies, are members of BDO International Limited, a UK company limited by guarantee, and form part of the international BDO network of independent member firms.

BDO is the brand name for the BDO network and for each of the BDO Member Firms.



**Mixed Sources**  
Product group from well-managed  
forests and other controlled sources

[www.fsc.org](http://www.fsc.org) Cert. no. CQ-COC-000010  
© 1996 Forest Stewardship Council

FEDRIGONI, Canova paper.  
Completely biodegradable and recyclable.