Financial Statements

Integrated Growth Poles Project - Credit Agreement No 5237-MOZ

for the year ended 31 December 2014
Financial Statements
for the year ended 31 December 2014

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Statement of Management Responsibilities

The management of FIPAG - Fundo de Investimento e Património de Abastecimento de Água is responsible for the preparation and presentation of the financial statements of Integrated Growth Poles Project - Credit Agreement Nr.5237 - MOZ for the year ended 31 December 2014, which comprise the statement of receipts and payments, statement of designated account, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with the cash receipts and disbursement basis of accounting described in note 2.

Management is also responsible for determining that the basis of accounting is an acceptable basis for preparing and presenting the financial statements in the circumstances, for such internal control as the management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and for maintaining adequate accounting records and an effective system of risk management.

Management is also responsible for the other project internal controls and for compliance with the relevant project agreement terms and local laws and regulations applicable to the project. The responsibility for the prevention and detection of non-compliance rests with management.

Approval of the financial statements

The financial statements for the year ended 31 December 2014, were approved by the management on 5 June 2015 and are signed on their behalf by:

General Manager
Independent auditors’ report

To the Management of FIPAG – Fundo de Investimento e Património de Abastecimento de Água

We have audited the financial statements of the Integrated Growth Poles Project -Credit Agreement Nr.5237 - MOZ for the year ended 31 December 2014, which comprise the statement of receipts and payments, statement of designated account and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes.

Management’s responsibility for the financial statements

The management of FIPAG is responsible for the preparation and presentation of the financial statements in accordance with basis of accounting described in note 2, for determining the acceptability of this basis of accounting, and for such internal controls as management determines necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on the financial statements 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 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, we considers internal control relevant to the entity’s preparation and presentation of the 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 entity’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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.
Opinion on the statement of receipts and payments

In our opinion, the statement of receipts and payments of Integrated Growth Poles Project - Credit Agreement No. 5237-MOZ for the year ended 31 December 2014 has been prepared, in all material respects, in accordance with accounting policies disclosed in note 2.

Opinion on the statement of designated account

In our opinion, the statement of the Designated Account for the IDA Credit agreement No 5237 - MOZ at 31 December 2014 was prepared, in all material respects, in accordance with IDA’s Guidelines.

Opinion on the statement of expenditure

With respect to the statements of expenditure (SOEs), we confirm that adequate supporting documentation has been maintained to support claims to the International Development Association (IDA) for reimbursements of expenditures incurred and these expenditures are eligible for financing under the Credit Agreement No. 5237- MOZ

KPMG
5 June 2015
Maputo
Statement of receipts and payments
For the year ended 31 December 2014

<table>
<thead>
<tr>
<th>Description</th>
<th>Note</th>
<th>IDA Grant (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receipts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advance from IDA to designated account</td>
<td>1</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Total receipts</td>
<td>1</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Payments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Works, goods and consultants services (2A)</td>
<td>2A</td>
<td>343,121</td>
</tr>
<tr>
<td>Total payments</td>
<td>2A</td>
<td>343,121</td>
</tr>
<tr>
<td>Closing balance as at 31 December 2014</td>
<td>4</td>
<td>656,879</td>
</tr>
</tbody>
</table>
Statement of designated account
for the year ended 31 December 2014

<table>
<thead>
<tr>
<th>Description</th>
<th>Note</th>
<th>IDA Grant USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receipts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advance from IDA to designated account</td>
<td>1</td>
<td>1 000 000</td>
</tr>
<tr>
<td>Total receipts</td>
<td></td>
<td>1 000 000</td>
</tr>
<tr>
<td>Payments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Works, goods and consultants services (2A)</td>
<td>2A</td>
<td>343 121</td>
</tr>
<tr>
<td>Total payments</td>
<td></td>
<td>343 121</td>
</tr>
<tr>
<td>Closing balance as at 31 December 2014</td>
<td>4</td>
<td>656 879</td>
</tr>
</tbody>
</table>
Notes to the financial statements
for the year ended 31 December 2014

1. Project background

On 27 May 2013 a development grant agreement was signed between the Republic of Mozambique and International Development Association (IDA), wherein IDA agreed to provide a grant of USD 24,500,000 to implement the Water Services and Institutional Support Project Credit Agreement Nr.5237 - MOZ.

The objectives of the project are:

(i) Expansion and extension of approximately 110 kilometers of water supply networks and distribution system in Nacala including drilling of annul six boreholes, construction of transmission lines, rehabilitation and construction of distribution centers and installation of connections to approximately 26,000 new households;

(ii) Support to FIPAG to enable it to carry out the works mentioned above through the provision of works, goods, services and technical assistance required for the purpose.

2. Accounting policies

The following paragraphs describe the main accounting policies applied consistently by the project.

2.1 Accounting convention

The statement of receipts and payments is prepared on a cash basis under the historical cost convention.

2.2 Currencies

The books of accounts of the Project are maintained in United States Dollars (USD). The statement of receipts and payments is also expressed in United States Dollars (USD) unless otherwise stated. The transactions in other currencies are translated to USD at the official exchange rate ruling at the date of the transactions.

2.3 Fixed assets

Fixed assets acquired by the Project are expensed in the year of purchase.

2.4 Procedures

The disbursements of the funds, made available by the International Development Association (IDA), are carried out by direct transfers or by requests of payments sent to the Special Account, which was opened with funds made available by IDA, in a bank account of the project in Maputo (FNB).
Notes to the financial statements (cont.)

for the year ended 31 December 2014

3. Advance from IDA

In line with the Project Credit Agreement, an amount of USD 1 000 000 was withdrawn from the credit balance and maintained in the Designated Account AA (FIPAG) of the Project.
Notes to the financial statements (cont.)
for the year ended 31 December 2014

4. Closing balance

The closing balance is represented by:

Bank balance – FNB Acc# 1891531515001

31 December 2014 USD

656 879

5. Reconciliation of advance from IDA

5.1 Initial Advance from IDA

Represented by:

a) Bank balance 656 879
b) Expenditure submitted on 9 January 2015 under WA2 249 168
c) Expenditures submitted on 8 January 2015 under WA3 93 953

1 000 000
Disbursements
as at 31 December 2014

Credit agreement No. 5237-MOZ

<table>
<thead>
<tr>
<th>Expenditure</th>
<th>Total grant agreement</th>
<th>Disbursement in prior years</th>
<th>Disbursement during the year</th>
<th>Total disbursement as at 31/12/2014</th>
<th>Grant available as at 31/12/2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Works, goods and consultants services (2A1)</td>
<td>16 190 000</td>
<td>-</td>
<td>-</td>
<td>16 190 000</td>
<td></td>
</tr>
<tr>
<td>Designated account</td>
<td>-</td>
<td>-</td>
<td>646 626</td>
<td>646 626</td>
<td>(646 626)</td>
</tr>
<tr>
<td>Total</td>
<td>16 190 000</td>
<td>-</td>
<td>646 626</td>
<td>646 626</td>
<td>15 543 374</td>
</tr>
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