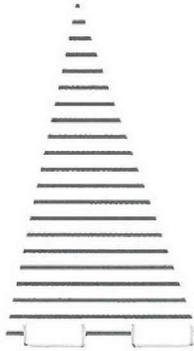


Financial Statements

REPUBLIC OF MOZAMBIQUE

FIPAG - WATER SUPPLY ASSETS AND INVESTMENT FUND
INTERNATIONAL DEVELOPMENT ASSOCIATION
GREATER MAPUTO WATER SUPPLY PROJECT - CREDIT
AGREEMENT NR 52900- MZ

31 December 2017



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FIPAG – WATER SUPPLY ASSETS AND INVESTMENT FUND
INTERNATIONAL DEVELOPMENT ASSOCIATION
GREATER MAPUTO WATER SUPPLY PROJECT - CREDIT AGREEMENT NR 52900- MZ

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of

FIPAG - WATER SUPPLY ASSETS AND INVESTMENT FUND

Report on the Financial Statements

Opinion

We have audited the financial statements of Greater Maputo Water Supply Project- Credit Agreement Nr 52900- MZ, implemented by FIPAG - Water Supply Assets and Investment Fund, which comprise the Statement of Sources and Uses of funds, the Designated Account and the Grant Account Statement financed under IDA - International Development Association Development Greater Agreement 52900- MZ for the year ended 31 December 2017, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company are prepared, in all material respects, in accordance with accounting basis set out in note 4.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Mozambique, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Responsibilities of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with the accounting basis set out in note 1, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- ▶ Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- ▶ Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.



The engagement partner on the audit resulting in this independent auditor's report is Manuel Relvas.

ERNST & YOUNG, LDA
Certified Auditors Firm



Maputo, 28 February 2018

**FIPAG - WATER SUPPLY ASSETS AND INVESTMENT FUND
INTERNATIONAL DEVELOPMENT ASSOCIATION - GREATER MAPUTO WATER SUPPLY PROJECT
CREDIT AGREEMENT NR 52900- MZ**

STATEMENT OF SOURCES AND USES OF FUNDS - FOR THE YEAR ENDED 31 DECEMBER 2017

(Expressed in United States Dollars)

	<u>Notes</u>	<u>2017</u>
Opening Cash Balance		
IDA Designated Account		307.728
<i>Add:</i>		
Sources of Funds		
IDA Funds		
Direct Payments	5	12.578.993
Replenishments to Designated Account	6	2.612.447
A		<u>15.499.168</u>
<i>Less:</i>		
Uses of Funds		
Direct Payments	5	12.578.993
Designated Account payments:		
Eligible expenditure paid	7	2.235.304
		<u>14.814.297</u>
Closing Cash Balance		
IDA Designated Account	8	<u><u>684.871</u></u>

FINANCE AND ADMINISTRATION DIRECTOR

Harile

DIRECTOR GENERAL



H. Avelino

FIPAG - WATER SUPPLY ASSETS AND INVESTMENT FUND
INTERNATIONAL DEVELOPMENT ASSOCIATION - GREATER MAPUTO WATER SUPPLY PROJECT
CREDIT AGREEMENT NR 52900- MZ
DESIGNATED ACCOUNT STATEMENT - FOR THE YEAR ENDED 31 DECEMBER 2017
(Expressed in United States Dollars)

	<u>Notes</u>	<u>2017</u>
Opening Cash Balance		
IDA Designated Account		307.728
<i>Add:</i>		
Sources of Funds		
IDA Funds		
Replenishments to Designated Account	6	2.612.447
<i>Less:</i>		
Designated Account payments:		
Eligible expenditure paid	7	2.235.304
Closing Cash Balance		
IDA Designated Account	8	<u><u>684.871</u></u>

FINANCE AND ADMINISTRATION DIRECTOR

Amile



DIRECTOR GENERAL

Amile

FIPAG - WATER SUPPLY ASSETS AND INVESTMENT FUND
 INTERNATIONAL DEVELOPMENT ASSOCIATION - GREATER MAPUTO WATER SUPPLY PROJECT
 CREDIT AGREEMENT NR 52900 - MZ
 MOZ CREDIT ACCOUNT STATEMENT - FOR THE YEAR ENDED 31 DECEMBER 2017
 (Expressed in Special Drawing Rights - SDR's)

CATEGORY	Budget per Credit Agreement	IDA Statement Used until 2016	Used 2017	Total Usage	Budget Balance as at 31.12.17
(1 A) Civil works	115.500.000	29.652.189	10.921.312	40.573.501	74.926.499
Designated account A	-	709.320	-	709.320	(709.320)
	<u>115.500.000</u>	<u>30.361.509</u>	<u>10.921.312</u>	<u>41.282.821</u>	<u>74.217.179</u>

FINANCE AND ADMINISTRATION DIRECTOR

Awile

DIRECTOR GENERAL



Steele

FIPAG - WATER SUPPLY ASSETS AND INVESTMENT FUND
GREATHER MAPUTO WATER SUPPLY PROJECT - CREDIT AGREEMENT NR 52900- MZ
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

1. PROJECT BACKGROUND

1.1. Objectives

On 31 January 2014 a development Loan agreement was signed between the Republic of Mozambique and International Development Association (IDA), wherein IDA agreed to provide a Loan of an amount equivalent to SDR 118.800.000 to implement the Great Maputo Project, Loan Agreement Nr. 52900-MOZ.

The project consists of the following parts

Part A: Investment in Water Supply Network System

- (i) Expansion and extension of water supply system capacity in the Greater Maputo Area through the construction of an abstraction point and transmission pipeline from the Corumana Dam, a water treatment plant, and a transmission pipeline to the Machava distribution centre.

Part B: Investment in Water Supply Network Distribution System

The Part B of the Project consists of the following:

- (i) Expansion and extension of water distribution system in Greater Maputo Area through installation of approximately 300 kilometres of water supply distribution network and 100.000 new connections, including associated water meters.

Part C: Technical Assistance to FIPAG

The Part C of the Project consists of the following:

- (i) Supervision of Works as well as implementation of Resettlement Action Plan and other Safeguard Documents under the Project
- (ii) Preparation of the second phase of the program to increase the amount of water available to Greater Maputo Area to meet residential household demand by 2025, including technical assistance for engineering, dam safety, safeguards and economic analyses;
- (iii) Preparation of a follow-on project to cover other select cities of the Recipient;
- (iv) Project implementation including support to the transition of the operator of Greater Maputo Area in 2014;
- (v) Carrying out of financial and technical audits and;
- (vi) Carrying out of training and capacity building for FIPAG and the operator of Maputo Area staff

FIPAG - WATER SUPPLY ASSETS AND INVESTMENT FUND
GREATER MAPUTO WATER SUPPLY PROJECT - CREDIT AGREEMENT NR 52900- MZ
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

Part D: Capacity Building and Operational Support to CRA

Support to CRA TO enhance its capacity to discharge its regulatory role in the territory of the Recipient including:

- (i) Expanding the scope of CRA's regulatory framework and oversight capabilities, particularly in relation to peri-urban areas and;
- (ii) Reviewing the financial means- and sanitation services to the urban poor, all of the above through provision of goods, technical assistance, Training and Operating Costs required for the purpose.

2. Percentage of Expenditures financed by the Credit

The percentages of expenditures for items to be financed by Credit are as following:

<u>Category</u>	<u>%of Expenditures to be financed</u>
(1) Works, goods, non-consulting services, consultant services and training	100% of all expenses (Including taxes)

3. DESIGNATED ACCOUNT FOR THE IDA CREDIT

The Development Credit Agreement requires the opening of a Designated Account in USD. The purpose of the Designated Account is for payment of eligible expenditures.

These payments will be subsequently justified to IDA with respective documentation or issuance of SOEs (Statement of Expenditures) for replenishment of the Designated Account or refunding of the initial deposit.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statement, compiled from FIPAG accounting records, was prepared on a cash basis from the information reflected in the financial and accounting reports of the Project. Under this basis, receipts are not recorded until received in cash and disbursements are assigned to the year in which the respective cash payment is made.

Foreign Currency Transactions

The accounting records 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. Transactions in other currencies are translated to USD at the official exchange rate ruling at the date of the transaction.

FIPAG - WATER SUPPLY ASSETS AND INVESTMENT FUND
 GREATER MAPUTO WATER SUPPLY PROJECT - CREDIT AGREEMENT NR 52900- MZ
 NOTES TO THE FINANCIAL STATEMENTS
 For the year ended 31 December 2017

Fixed assets

Fixed assets acquired by the Project are reflected as expenditure in the year of purchase and payment.

Procedures

The disbursements of the funds, made available by the International Development Association (IDA), are carried out by direct transfers or by requests for payments sent to the Designated Account, which was started with funds made available by IDA, in a bank account of the Project in Maputo (Bank ABC).

5. DIRECT PAYMENTS

The following applications were used for direct payments:

Application Number	Supplier	Category	USD	SDR Equivalent
33-A	DENYS NV	1	596.176	440.171
34	DENYS NV	1	1.071.244	788.904
35	DENYS NV	1	265.034	195.685
38	DENYS NV	1	930.944	672.876
39	DENYS NV	1	1.585.271	1.147.907
40	DENYS NV	1	568.633	411.877
42	DOHWA ENGINEERING CO, LTD	1	204.850	148.580
44	DOHWA ENGINEERING CO, LTD	1	335.773	237.948
46	DOHWA ENGINEERING CO, LTD	1	195.650	138.548
48	DENYS NV	1	5.050.666	3.576.579
49	DENYS NV	1	1.774.750	1.258.269
			12.578.993	9.017.343

6. REPLENISHMENT OF DESIGNATED ACCOUNT

During the current year the following applications were used to replenish the Designated Account:

Application Number	Application amount			SDR Equivalent
	Requested	Replenished	Not Replenished	
31	509.799	509.799	-	377.721
32	182.280	182.280	-	134.399
36	214.203	214.203	-	157.300
37	807.129	807.129	-	595.241
41	272.502	272.502	-	197.047
43	203.241	203.241	-	142.730
45	423.399	423.399	-	299.531
	2.612.552	2.612.552	-	1.903.969

FIPAG - WATER SUPPLY ASSETS AND INVESTMENT FUND
GREATER MAPUTO WATER SUPPLY PROJECT - CREDIT AGREEMENT NR 52900- MZ
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

7. DESIGNATED ACCOUNT PAYMENTS DURING THE YEAR

Designated Account payments by categories during the year can be summarized as follows:

Category	USD
(1) Works, goods, non-consulting services, consultant services and training	2.235.304
	2.235.304

8. DESIGNATED ACCOUNT BALANCE

Balance as per Project records as at 31 December 2017	USD 684.871
No open items	-
Balance as per Bank statement as at 31 December 2017	684.871

9. DESIGNATED ACCOUNT ADVANCE RECONCILIATION

Advance	USD 1.000.000
Represented by:	
Bank balance	684.871
Expenditure submitted on 21 December 2017 under WA 50 (not yet reimbursed)	265.739
Expenditure submitted on 13 January 2018 under WA 51 (not yet reimbursed)	49.197
Undue debt to be reimbursed by the bank	193
Balance as per Bank statement as at 31 December 2017	684.871

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About EY

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