

**Inclusive Housing Financing Program
Social Housing Fund**

**Auditor's Report
&
Special Purpose Financial Statement**

June 30th 2018

Contents

1- Auditor's Report

2- Special Purpose Financial Statement as at 30th June 2018.

3- Notes to the Special Purpose Financial Statement as at 30th June 2018.

Auditor's Report
To the Social Housing Fund
Inclusive Housing Financing Program

We have audited the accompanying Special Purpose Financial Statement (SPFS) of Inclusive Housing Financing Program represented in the Sources and Uses of Funds statement for the year ended 30th June 2018. The Program's management is responsible for ensuring that the Special purpose financial statement is prepared. It is our responsibility to form an independent opinion, based on our audit, on this statement and to report our opinion to you.

We conducted our audit in accordance with Egyptian and International Auditing Standards and such other specific procedures requested by the Program's management. An audit includes examination, on a test basis, evidence supporting amounts and disclosures in the funds receipts and expenditures statement. It also includes an assessment of the significant estimates and judgements made by the Program's management in the preparation of the statement, and of whether the accounting policies are appropriate to the project's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanation which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the statements is free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the statements.

Opinion

In our opinion, the special purpose financial statements referred to above present fairly, in all material respects, the Sources and Uses of Fund Statement as at 30th June 2018 in conformity with the accounting principles described in Note 2 to the special purpose financial statements. Expenditures provided are properly supported and represent eligible expenditures under the Loan Agreement 8498 - EG.



Dr. Khaled Abdel Aziz Hegazy

Cairo: November 8th 2018



Social Housing Fund (SHF)
The World Bank's Loan No 8498 EG
Notes to the Special Purpose Financial Statement
From 1 July 2017 to 30 June 2018

Note 1 -Nature of Activities

The Arab Republic of Egypt and the International Bank for Reconstruction and Development agreed that the latter shall provide additional finance Social Housing Fund on June 10th, 2015, through Loan No8498EG, The Bank agrees to lend an amount of five hundred million United States Dollar (US\$500 Million)

The objective of the Program is to improve the affordability of formal housing for low income households in the Arab Republic of Egypt and to strengthen the SHF's capacity to design policies and coordinate programs in the social housing sector.

The Project consist of the following parts:

The Program is a part of the Borrower's Social Housing Program and consists of the following components:

Part A: Institutional Strengthening of SHF

1. Enhancing the capacity of SHF to improve the Borrower's housing sector through, *interalia*: (a) coordination and consolidation of housing entities and functions; (b) formulation of social housing policy, programs, regulations and procedures; and (c) preparation and implementation of reforms to improve the efficiency and equitability of the housing system.
2. Enhancing the effectiveness of SHF to provide oversight to the implementation of the Program through, *inter alia*: (a) the establishment of an improved management information system; (b) the establishment of a sound fiduciary management and governance structure and (c) improving monitoring and evaluation capacity.

Part B: Demand-side Housing Subsidy Support

1. Affordable Mortgage Program (AMP)
2. Public Rental Subsidy Program for Tenants
3. Private Rental Subsidy Programs for Investors
4. Private Rental Subsidy Programs for Tenants,

The Project Duration:

The project closing date is June 30, 2020

Terms of repayment and Grace period:

According to the loan agreement, Schedule 3 , the Arab Republic shall repay the loan on semi-annual installment due on January and July 15theach year, starting from July 15th 2020 and ending on January 15th2050. Each installment amounts to (1.67%) of the

loan amount, except for the Installment dated January 15th 2050 which will amount to (1.47%)

Note 2 - Accounting Policies

The following are the significant applied accounting policies:

2/1 Method of Accounting

The Project maintain its accounts on the cash basis of accounting. On this basis receipts are recognized when received by the Projectand expenditures are recognized when paid.

2/2 Translation of non US\$ dollars currency:

The SHF maintains its accounts in Egyptian Pounds. Transactions in US\$ dollar currencies are recorded at the average exchange rates ruling at the end of the financial year 30 June 2017, the statement of funds receipts and expenditures has been prepared on the cash basis of accounting.

Note 3-Cash receipt (Financing) Analysis

	Amounts in US \$	
	For 1 J uly 2017 to 30 J une 2018	Cumulative till 30 J une 2018
<i>Cash Receipt</i>		
World Bank (WB)	66,925,514	185,726,279
Social Housing Fund	92,947	329,483
Guarantee and Support Mortgage Activity Fund	288,510	470,767
Total Financing	67,306,971	186,526,529

Note 4 - Expenditure Analysis

4/1 : Analysis of Wages & Salaries as at 30th June 2018 is represented as follows:

Salaries & Wages	Amounts in US \$	
	For 1 J uly 2017 to 30 J une 2018	Cumulative till 30 J une 2018
Improving Management Information System	38,944	100,040
Improving Monitoring & Evaluation	38,346	93,326
Internal audit function	27,856	31,302
Mechanism for considering complaints and grievances	39,403	118,013
Total Salaries & Wages	144,549	342,681

4/2 : Analysis of Others - Other Expenditures as at 30th June 2018 is represented as follows:

Others	Amounts in US \$	
	For 1 J uly 2017 to 30 J une 2018	Cumulative till 30 J une 2018
Independent Verification Agent (IVA) Fees	14,161	27,371
bank charges & interest	252	280
Total Others	14,413	27,651